

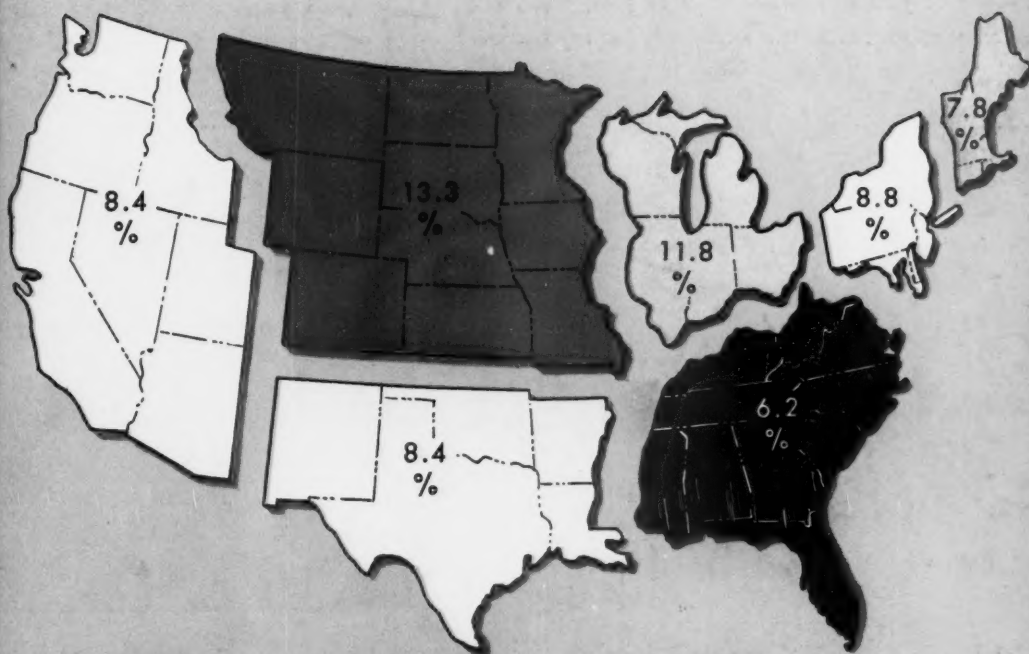
BUSINESS WEEK

DEC. 20, 1947

THE NEW AMERICAN MARKET ►



1947* INCOME GAINS OVER 1946
(*first six months)



National Summary—No. 8 in a series of Reports to Executives on "The New American Market" (page 61).

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More of everything for everybody

LET'S SAY YOU DIG COAL and I want it to heat my house.

I raise beef on my farm. You want it, to eat.

So we trade—a ton of your coal for 20 pounds of my beef.

Now—if you raise the price of your coal, I won't get as much coal in exchange for my beef. So, I'll have to get along with less coal or else raise the price of my beef to equal your increase

in the price of coal. In neither case is either of us any better off.

But there *is* a way we can *both* be better off. If you dig more coal and I raise more beef, we will both have more to trade. Even at our original low prices we will both have all the beef and coal we need and a surplus to trade for the other things we want.

In other words, the way—and the *only* way—for *everyone* to have *more of everything*, is for *everybody* to produce more of it.



YOU CAN MACHINE IT BETTER, FASTER, FOR LESS WITH WARNER & SWASEY TURRET LATHES, MULTIPLE SPINDLE AUTOMATICS AND TAPPING MACHINES

people gather every week...

without leaving their homes!

in the United States today (some 400-odd).

But this network also has the smallest average audience in network Radio today.

Is it a matter of programs, merely?

What of the fact that this "largest" network has far more *low-powered* stations (250 watts or less) than any other network; and more significantly, also has the heaviest *proportion* of low-powered stations among all networks.

CBS has only 161 stations in the U. S.

But they are a *powerful* combination of stations linked into a superbly "*balanced*" network.

Indeed, CBS has a higher ratio of *high-powered* stations (5,000 watts or more) and a lower ratio of *low-powered* stations *than any other network*;

CBS has power where power counts most!

We begin to see why the superbly "balanced"

CBS network—with 62% fewer stations—can deliver 44% more audience, by actual count, than the numerically "largest" network.

The pattern is consistent for the next "largest" network in Radio. This one has over 200 stations.

But its proportion of *low-powered* stations is also very high (second only to the "largest" network). So CBS—with 29% fewer stations—delivers 25% more audience than it does.

The evidence is readily available—and conclusive—on CBS leadership over the fourth remaining network. CBS has more *high-powered* stations and fewer *low-powered* stations than this network. And the independent figures show that CBS sponsors get their audience *at lower costs* than the sponsors on *this* network, too.

The power and balance of CBS stations combine with the range and power of CBS programs to make CBS what it is today: a rich and vivid center in the life of America, a fabulous "market-place" gathering 99,000,000 people together each week . . . *more efficiently than any other network.*

The detailed, factual data which support all the statistical summaries in this message are available on your request.

COLUMBIA BROADCASTING SYSTEM

—where 99,000,000 people gather every week



ROUND THE CLOCK

POWER

for
Industrial Trucks

In hundreds of industries where production schedules require it, battery industrial trucks are working 24 hours a day, day after day, with a regularity that many people thought was impossible until they saw it demonstrated.

Here are some of the reasons: A battery industrial truck employs electric-motor drives which are inherently simple; have few moving parts to require repair. The truck is kept continuously supplied with power by batteries that are exchanged at convenient intervals, usually 8 to 12 hours. Charging and any other service needed by the batteries is performed while they are out of the truck.

A battery industrial truck is also economical. Its batteries are charged from low-cost electric power and they apply the power to the job with high efficiency: instant starting; rapid acceleration; no power consumption during stops. These are exactly the power characteristics needed by stop-and-go handling work.

Thus a battery industrial truck is an inherently dependable and economical machine. It is extra dependable and extra economical when powered by EDISON Nickel-Iron-Alkaline Batteries, the batteries that have steel cell construction, a solution that is a natural preservative of steel, and a fool proof electrochemical principle of operation. The Edison Storage Battery Division of Thomas A. Edison, Incorporated, West Orange, N. J. Offices in principal cities. In Canada, International Equipment Company, Limited, Montreal and Toronto.



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STORAGE BATTERIES

IN INDUSTRIAL TRUCKS, EDISON NICKEL-IRON-ALKALINE BATTERIES GIVE YOU THESE IMPORTANT ADVANTAGES

They are durable mechanically; they can be charged rapidly; they withstand temperature extremes; they are foolproof electrically; they can stand idle indefinitely without injury; they are simple and easy to maintain.



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The Whisper that Grew!

by Mr. Friendly

Once there was a little whisper that went like this ...

PSST! HEARD ABOUT AMERICAN MUTUAL'S NEW I.E. LOSS CONTROL?

It traveled from businessman to businessman ...
and before long it was a shout and then a roar ...

**I.E. LOSS CONTROL* REDUCES ACCIDENTS
80% IN ONE PLANT... INCREASES
PRODUCTION 300% IN ANOTHER!**

And still it kept growing ... soon
it was heard all over America!

**IT'S INCLUDED AT
NO EXTRA CHARGE WITH EVERY
INDUSTRIAL POLICY!**

Today the whisper is so
tremendous we can't
even get it on this page. More
and more businessmen are hearing
it ... and they're coming to American
Mutual in ever increasing numbers.
Here's another little whisper
that's going great guns ...

"Psst! ... said Mr. Friendly in a
small voice, "American Mutual
is also famous for settling claims
quickly, fairly, in a friendly sort of way!"

If you haven't heard the whisper,
ask your local American Mutual
man to explain the biggest extra in
insurance, I.E. Loss Control* ... And
write today for your copy of "The
All-American Plan for Business," or
"The All-American Plan for the Home." American
Mutual Liability Insurance Company, Dept. B-42,
142 Berkeley St., Boston 16, Mass. Branch offices in
principal cities. Consult classified telephone directory.

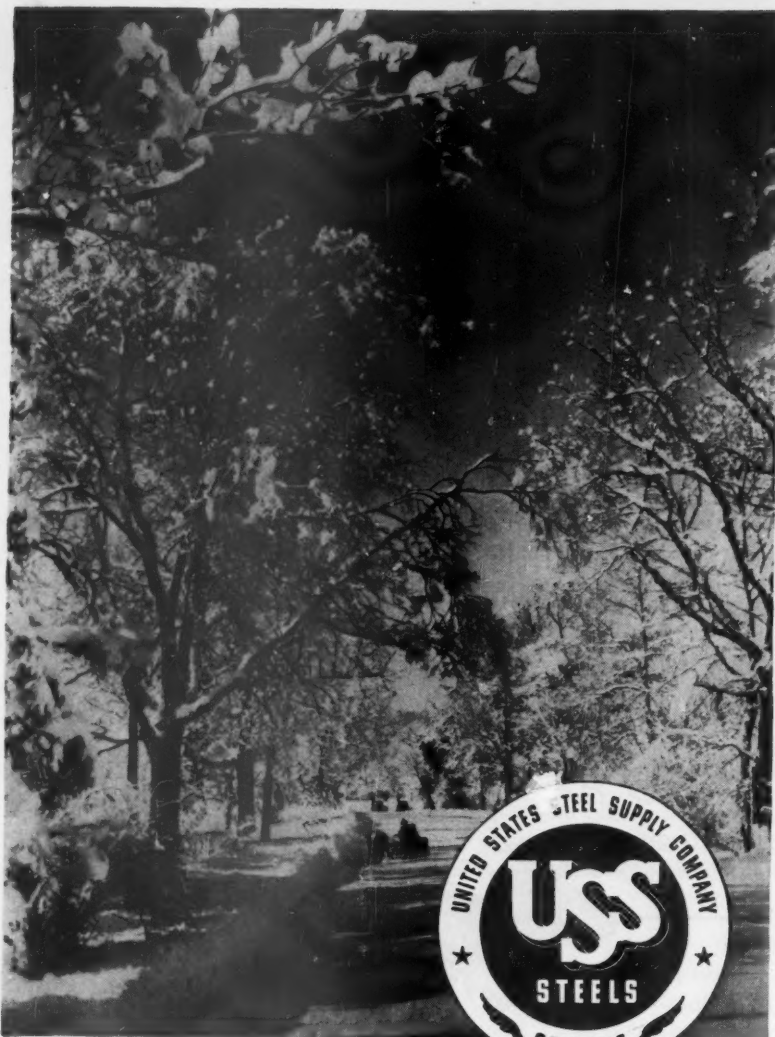
*Accident prevention based on principles of industrial engineering.

Your helping hand
when trouble comes!



AMERICAN MUTUAL ... the first American liability
insurance company

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1948—A year of promise

WITH the arrival of another Holiday Season, we find ourselves looking forward to 1948 as—A Year of Promise. This good feeling comes from the knowledge that the steel industry is already engaged in the greatest expansion program in its history.

The benefits of increased supply from added producing facilities will naturally be gradual, but we go into 1948 fully expecting to do a better job of taking care of your steel requirements.

We have already improved our facilities for service by erecting new modern warehouses in Cleveland and St. Louis. We have also opened a new warehouse in Los Angeles which will go a long way toward supplying the needs of steel users on the West Coast. And we expect to make other improvements and additions to our service facilities during 1948, so that our name will continue to be a "Symbol of Service" to steel users.

Meanwhile, we extend to you our cordial best wishes for a happy Holiday Season and a successful, prosperous New Year.

UNITED STATES STEEL SUPPLY COMPANY

BALTIMORE • BOSTON • CHICAGO • CLEVELAND • LOS ANGELES
MILWAUKEE • NEWARK • PITTSBURGH • ST. LOUIS • TWIN CITY (St. Paul)

UNITED STATES STEEL

THE COVER

The New American Market

It's not a rash guess to say that 1948 will prove a turning point for most American marketers. For it probably will be the twelvemonth in which the switch is made from a seller's to a buyer's market.

Men who concern themselves with selling know that such a shift is not made overnight. Actually there is an intervening period. In that transition, sellers no longer hold the whip. And yet buyers are not in the saddle either. The buyer's market does not arrive until buyers can dictate terms of sale.

• **Opportunity**—The interregnum offers postwar marketers their first big chance to show what they know about the New American Market. It's the time when sellers can use their marketing know-how to push products on a sound salesmanship basis.

During 1947, Business Week devoted much study to the marketing setup in the U. S. The results in distilled form were published in the first seven of a series of articles developed on a regional basis. Statistics were piled up to show what changes had taken place since war interrupted normal business in 1939. Deep-lying trends were ferreted out, examined, and related to put flesh on the statistical bones. Thus the body of the New American Market was created. Its full figure is portrayed in the final article of the series (the New American Market: "The Nation," page 61).

The most significant discovery is that today there is more of a national market than ever before. State lines and regional boundaries don't make the marketing separations they once did.

• **Differences**—And yet there are economic differences which cannot be overlooked. When the whole nation prospers, some peaks are higher than others (cover map). There are reasons why one section will do better than another in good times or bad. There are reasons why one region is going to move ahead faster than another. It means a lot, plus and minus, when a basic industry like steel disperses geographically. It means a lot, mostly plus, when a section of the U. S. starts to build a new newsprint industry. And manifold are the meanings of income changes through all levels of society.

At least America's marketers today are better prepared to gage their selling areas. With the statistics they know and the trends they comprehend, they should do a distribution job unparalleled in history. If they don't, it will be a big letdown from the huge production success of American industry during the period of the war.

BUSINESS OUTLOOK

BUSINESS WEEK

DECEMBER 20, 1947



The greatest benefit of all this talk about inflation is that it is making a lot of people sit down and think.

This, by itself, won't do much to stop a price spiral. But it is sobering, even if the effects aren't very enduring.

Most painless anti-inflation plan is the drive to sell Savings Bonds.

This is one about which there is little or no disagreement. All the others, including curbs on consumer credit, pinch somebody or other.

But a drive to sell bonds strikes right to the heart of things without frightening anybody. It would lock up some spendable income. And spending in excess of current production is what runs prices up.

There is one trouble, however: How much will it actually help?

The wartime drives were easy. There was the patriotic spur. Then, too, people knew there weren't enough goods to go around; they were conditioned to the idea of saving rather than bidding prices up.

Now, however, consumers are willing to bid for things long needed.

Thus, appealing to thrift may prove little more than a pious hope.

U. S. Treasury operations, over the near term, are going to do more about inflation than anything else (BW-Dec.13'47,p10).

The flood of tax collections Mar. 15 hold the key to this.

Uncle Sam will be able to pay off quite a jag of his bonds. (How much depends, to a large extent, on the amount of foreign relief outgo.)

The effort will be to redeem mostly bank-held bonds. This type of debt reduction washes down the available supply of credit.

And, of course, consumers have to be putting their tax money aside; this will subtract directly from purchasing power even before Mar. 15

Many economists now oppose any cut in personal income taxes before mid-1948. They want to see if by then other measures have had enough deflationary effect to permit a tax cut without rekindling inflation.

Advocates of direct controls on bank credit are split in two camps:

(1) Those who want the Federal Reserve to stop supporting the government bond market and to sell its holdings of Treasury issues.

(2) Those who don't want to see government bonds go below par but still want bank lending brought up on much shorter leash.

The first requires no new legislation; the second does (and seems to stand little chance of getting it).

Greatest danger in tightening credit controls is that we might get a bust instead of simply regulating inflation.

If the Federal Reserve Board were to let Treasury bonds go below par, there is a question of how low they would go.

Many economists oppose this for fear of weakening confidence in the government and bringing on an old-time money panic.

The Treasury is against it because of interest cost on the debt.

Advocates point out, however, that cost to the government in interest probably would be less than consumers now are paying in price rises.

Keeping government bonds above par and still curbing bank credit is a

BUSINESS OUTLOOK (Continued)

BUSINESS WEEK
DECEMBER 20, 1947

problem that has been coming in for increasing thought in recent years. Marriner S. Eccles, Federal Reserve Board chairman, has dressed his plan up in a new suit of clothes and trotted it out for Congress to look at.

This plan, in brief, is to lock up as much as 25% more bank deposits in government bonds. That, it is supposed, would prevent a drop in bond prices. Simultaneously, it would restrict bank credit.

Main argument against this one (aside from "bust" aspects) is that it would simply turn the commercial banks over to the federal government.

In its favor: (1) Keeping bond prices up would keep Treasury interest cost down, and (2) confidence in U. S. credit wouldn't be shaken.

One of the toughest aspects of the inflation problem is inability to increase production as fast as consumers' incomes go up.

We have had "full employment" for some time now. But we still don't have production that anywhere nearly balances it.

Many who have jobs are marginal workers—making standard wages.

New plants that can produce more goods with fewer workers are slow to reach completion. And they'll need more materials when they begin producing; that isn't going to ease the situation in steel or copper or aluminum.

Talk of greater productivity doesn't produce it. Unions don't take kindly to speedups or to a 45-hr. week without overtime. And with unemployment virtually nonexistent, labor leaders are in the saddle.

Even high production doesn't necessarily damp down inflation.

Record spending for homes doesn't ease the situation in building materials. New highs for auto output (5¾-million cars and trucks a year, at present rates) mean even greater scrambling for steel.

And then think of these things in terms of national income:

A person buys a car or a house out of (1) savings, or (2) borrowings. That doesn't reduce current spending out of wages except as the time-payments catch up with him.

On the other hand, the auto company or the builder gets the full price in cash. That goes into materials and wages and profits—adding the amount borrowed by the buyer right onto total income created.

Only as buyers run out of savings and credit do sales of cars and homes actually begin to curb inflation.

Leveling out of total personal incomes this autumn by no means indicates that the upward push has ended.

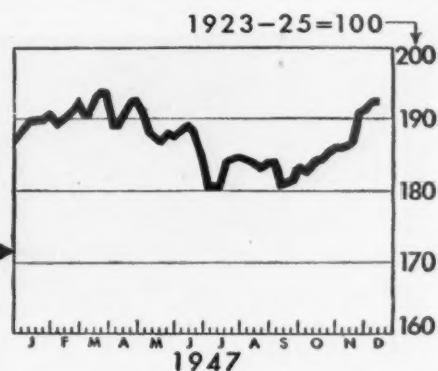
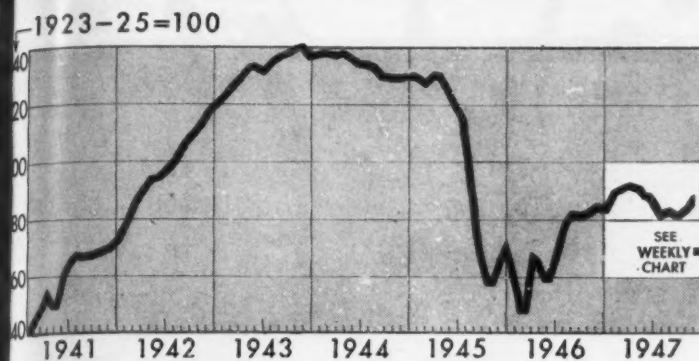
September marked a peak (at an annual rate of \$211-billion) only because of the cashing of terminal-leave bonds.

Taking terminal-leave payments out, September wouldn't have been so high as October. The Commerce Dept. economists who figure these things out say the annual rate for October would have been \$202.6-billion against \$199.4-billion the month before. Thus, you see, the long-term rise is still going on.

Price uneasiness in a lot of farm-and-food commodities the last few days could mean anything or nothing.

Grain markets are particularly uneasy. There are fears that wheat, held for tax purposes, will flood the market after Jan. 1. Even modest selling could bump prices—and the bulk of government buying is done.

FIGURES OF THE WEEK



Business Week Index (above)

\$ Latest Week	Preceding Week	Month Ago	Year Ago	1941 Average
*192.9	†192.8	186.9	184.7	162.2

PRODUCTION

Steel ingot operations (% of capacity)	97.8	97.7	97.0	83.9	97.3
Production of automobiles and trucks	116,535	†110,759	110,663	96,887	98,236
Engineering const. awards (Eng. News-Rec. 4-week daily av. in thousands)	\$24,199	\$22,929	\$19,121	\$15,265	\$19,433
Electric power output (million kilowatt-hours)	5,327	5,218	5,084	4,778	3,130
Crude oil (daily average, 1,000 bbls.)	5,253	5,265	5,257	4,717	3,842
Bituminous coal (daily average, 1,000 tons)	2,217	†2,394	2,135	385	1,685

TRADE

Miscellaneous and L.C.L. carloadings (daily average, 1,000 cars)	88	89	89	87	86
All other carloadings (daily average, 1,000 cars)	58	61	63	34	52
Money in circulation (millions)	\$28,874	\$28,817	\$28,709	\$28,946	\$9,613
Department store sales (change from same week of preceding year)	+7%	+10%	+10%	+18%	+17%
Business failures (Dun & Bradstreet, number)	87	60	84	33	228

PRICES (Average for the week)

Spot commodity index (Moody's, Dec. 31, 1931=100)	455.9	454.8	448.2	374.0	198.1
Industrial raw materials (U. S. Bureau of Labor Statistics, Aug., 1939=100)	292.4	292.1	292.1	259.5	138.5
Domestic farm products (U. S. Bureau of Labor Statistics, Aug., 1939=100)	412.5	410.3	396.7	315.9	146.6
Finished steel composite (Steel, ton)	\$76.09	\$76.09	\$76.09	\$64.73	\$56.73
Scrap steel composite (Iron Age, ton)	\$39.75	\$40.25	\$41.25	\$28.17	\$19.48
Copper (electrolytic, Connecticut Valley, lb.)	21.500¢	21.500¢	21.500¢	19.500¢	12.022¢
Wheat (Kansas City, bu.)	\$3.03	\$3.04	\$3.00	\$2.10	\$0.99
Sugar (raw, delivered New York, lb.)	6.32¢	6.32¢	6.32¢	5.57¢	3.38¢
Cotton (middling, ten designated markets, lb.)	35.99¢	35.85¢	33.42¢	32.75¢	13.94¢
Wool tops (New York, lb.)	\$1.856	\$1.840	\$1.888	\$1.665	\$1.281
Rubber (ribbed smoked sheets, New York, lb.)	20.93¢	20.25¢	23.80¢	22.50¢	22.16¢

FINANCE

90 stocks, price index (Standard & Poor's Corp.)	119.3	117.2	120.9	120.7	78.0
Medium grade corporate bond yield (30 Baa issues, Moody's)	3.52%	3.50%	3.44%	3.17%	4.33%
High grade corporate bond yield (30 Aaa issues, Moody's)	2.85%	2.85%	2.77%	2.62%	2.77%
Call loans renewal rate, N. Y. Stock Exchange (daily average)	14-14%	14-14%	14-14%	14-14%	1.00%
Prime commercial paper, 4-to-6 months, N. Y. City (prevailing rate)	14%	14%	1-14%	1%	4-14%

BANKING (Millions of dollars)

Demand deposits adjusted, reporting member banks	48,570	48,247	47,275	46,989	††27,777
Total loans and investments, reporting member banks	65,140	65,027	64,937	66,104	††32,309
Commercial and agricultural loans, reporting member banks	14,461	14,358	14,152	11,373	††6,963
Securities loans, reporting member banks	1,776	1,864	1,851	2,743	††1,038
U. S. gov't and gov't guaranteed obligations held, reporting member banks	37,564	37,560	37,834	42,762	††15,999
Other securities held, reporting member banks	4,233	4,238	4,223	3,908	††4,303
Excess reserves, all member banks	960	880	800	874	5,290
Total federal reserve credit outstanding	22,617	22,830	22,689	24,796	2,265


*Preliminary, week ended December 13th.
†Revised.

‡Ceiling fixed by government.
††Estimate (B.W.—Jul.12'47,p16).

§Date for "Latest Week" on each series on request.



Mister One-Point-One!

 Imagine, if you will, a typical CORONET family unit consisting of 3.6 people—of whom 2.5 regularly read each issue of the magazine. Shown above is the remaining Mr. 1.1.

He's well named, for nearly 200,000 CORONET babies are born each year—an average of 1.1 every three minutes.

Better than 60% of these families own their homes, so Mr. 1.1 is pretty comfortably fixed (note that ermine).

Because he's a thoroughly normal young prince of a typical CORONET family, there are eight

chances in ten that Mr. 1.1 will graduate from high school... He's an even money bet to go to college, for over 50% of all CORONET readers did... And he has better than one chance in four of wearing a mortar board—for approximately 28% of the CORONET millions are actually university graduates!

There's no doubt about it, Mr. 1.1 is a pretty darned important young prince. But it's his bedtime now, so we'll tuck him in and get on with the business.

What does all this mean to you?

It means that CORONET people—constituting 6% of all U.S. fami-

lies—are at the very *top* of the normal buying market!

And it means that *your* advertising in CORONET will address that market in one of the most completely *read* magazines ever published.

For here is a tremendous fact:

Of the 2.5 people per family who regularly read each copy of CORONET, 50.4%—or between 2,500,000 and 3,000,000—tell us they read an average article in the magazine from beginning to end!

The reason? CORONET is the only multi-million magazine available to advertisers that was literally *engineered* for ease of reading and continuous reader traffic from cover to cover.

Coronet

200,000 GUARANTEED CIRCULATION



NEW YORK . 366 Madison Avenue PHILADELPHIA . 1700 Walnut Street
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WASHINGTON OUTLOOK



. . . FOR '48

This week we step back from the news of the moment for a sizeup of Washington, of government in the year ahead.

It looks like a wasted year.

The men who run the government—legislative and executive alike—simply won't be facing up to any issues next year. Most of them don't really want to; those who do are baffled and frustrated in a divided government where everyone has a veto over everyone else.

The year we are talking about, of course, ends next Nov. 2; beyond the voting booth curtain, one way or another, there's a different government.

Until then, politics is the thing. What matters is to look good and avoid making anyone mad. It'll be "pure" politics, unsullied by policy issues. Even more than usual, all the voter will be able to do is pick a label—Rep. or Dem. Under each label you find all sides to all issues—from Aiken to Taft, from Byrd to Pepper.

No third party that is more than a Communist-inspired thrust at Truman's foreign policy is in sight.

To the men in Washington, 1948 looks like a year when issues can still be ducked.

Issues will be posed aplenty, portentous ones. But congressmen and bureaucrats are inclined to gamble that none of them will come to an inescapable crisis—not for another nine months anyway.

Economically, they see a world harassed by shortages. Not enough food for everyone, but nearly enough at home. Industry on a catch-as-catch-can basis for many things, but no breakdowns. Prices on the rise all year, but no runaway inflation, no bust.

Internationally, they see another year of pressures, jockeying, irritations—but no showdown, no war.

These two—inflation and the Marshall Plan—feed on each other. Between them they pose the great dilemma of 1948:

(1) A national commitment to a full-scale European aid program, which would add fuel to U. S. inflation;

(2) A G.O.P. congressional commitment against firm economic controls.

With public outcry against high prices growing all the time, will Congress sacrifice Europe to

ease the price strain at home? Or will the G.C.P. swallow its distaste for bureaucratic regulation?

Neither. We think they will try a little of each. They'll throttle back the Marshall Plan—cut the dollars, apron-string its administration. They'll flirt with inflation controls, semivoluntary measures first.

Big questions that bother us: In the nature of things can this dilemma be ducked? Will failure next spring to act decisively either way turn out to be a decision by default?

On inflation, all that really seems to worry Washington is that it might end some day, suddenly; down deep they think the people sort of enjoy it while it lasts. And no one actually believes recession could come before Election Day.

So all year you will see some tinkering, but nothing that will have much effect on prices.

We look for two kinds of tinkering. One sort aimed at what most people here figure is the root of the evil: too-rapid expansion of factories and stores, inventories, and housing. So you can expect mild measures to tighten credit.

The other sort of tinkering will peck at particular prices, the ones that go up faster than most and scare people—foods primarily. There will be a few NRA-type committees of businessmen, to keep each other in line.

Federal revenues are no problem next year. Inflation is running them up faster than Truman and Congress together can agree on ways to spend them.

Each has a little list of expensive spending ideas: foreign aid, debt reduction, universal training, military expansion, education and health subsidies, science foundation, housing. Some of these will get through.

The real tax problem, of course, is something new: How to manage a tax system that now skims off around 20% of the national income. Solving that means completely revamping the present blown-up version of prewar tax law.

This big job Congress will pass over next year. Republicans are content to cut back the take by \$4-billion or \$5-billion, overriding Truman's protest that it's inflationary.

Scare-talk about food prices and controls centers on the tight spot next spring—when meat and grain supplies will be at their lowest.

In the end, consumers will just have to weather

WASHINGTON OUTLOOK (Continued)

it. Congress certainly won't grant effective control powers before the crisis comes; when it arrives, there won't be time for more than a pass at them.

All we can see is that high prices will do the rationing.

Worldwide, lack of food will still be the pre-occupation. Americans will eat a little less than they did this year, but more than prewar; Europeans will eat a little more, but still less than prewar.

Thus, Congress will find it easy to defer for another year tackling the looming problem of a long-term farm program. Mere extension of the wartime price supports will take care of the first oversupply situations: sugar, peanuts, potatoes.

Industrial shortages will plague you in 1948; less in most lines than this year, but still troublesome.

One spot Washington sees getting tougher is petroleum—fuel oil in the weeks immediately ahead, gasoline next summer. Demand is shooting right through the ceiling.

Steel, electric power, transportation look a little easier, even allowing for effects of the Marshall Plan. Aluminum, ample for most of this year, will be tight in '48—because of power. Cadmium will be some scarcer. Natural gas will never be scarcer than this winter.

All this will call for some more government tinkering, but not much more than you've felt this year. There will be some semivoluntary allocation by the industry-committee technique—which will work better here than on prices.

Labor was in the headlines in 1946 because of strikes, in 1947 because of legislation.

But for 1948, we don't see any big, black headlines. Washington expects third-round pay boosts to go through without any major strikes; it figures everyone wants to keep on working and making money. (Of course, no one presumes to predict Lewis.)

There won't be time in one year for the Supreme Court to say what the Taft-Hartley law really is; Congress is content to rest on its handiwork until it finds out what it did.

U. S. foreign policy is now pretty well laid out—until Election Day, anyway. You won't be seeing any new "doctrines."

Aside from details and dollar signs, the question still open is tariffs. And the Geneva treaties a month ago have taken much of the heat out of this issue for the 1948 Congress.

Truman's negotiators at Geneva used up about all the authority of the Hull trade act that makes much difference under present conditions.

So we're inclined to think that in the end Congress will extend the law again; Congress will O. U. S. membership in the new ITO.

No war next year, as we said earlier in the sizeup. But that won't keep military preparation from being as explosive an issue in '48 as inflation or the Marshall Plan.

Worry about Russia collides with economic hopes. So there will be a running debate all year with mixed results:

(1) No 5,000-plane-a-year procurement program that the Air Force wants, but more than the year's 1,800.

(2) No permission for military stockpiles to compete with you in the market, but Marshall Plan clauses to divert—someday—scarce materials from Europe into the U. S. military stockpile.

(3) No universal training, but another military pay increase to lure recruits.

The third year after Hiroshima ends in 1948. That brings you into the period when you can begin to watch for evidence that Russia has its own Bomb. That would change a lot of things.

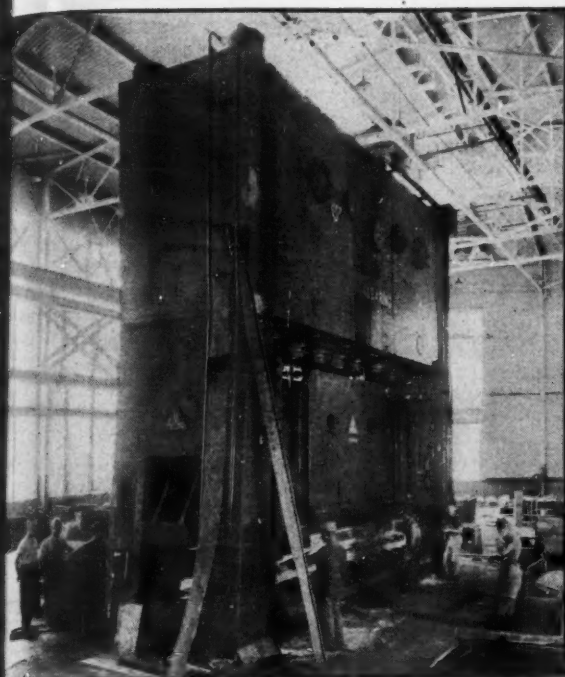
Meanwhile, all of us in the Washington Bureau of Business Week wish you a Merry Christmas and a prosperous New Year—

John L. ...
Arch Carter
Tom ...

Joseph ...
Paul R. ...

Gladys Montgomery

George ...
Ellen ...
Robert ...
Carter Field
Edbrook ...
Donald ...
Bill ...



TO BUY NEW EQUIPMENT like this Clearing Machine Corp. press just installed at Midland Steel Products Cleveland plant . . .

FOR CARRYING INVENTORIES like this large variety of steel stock in Joseph T. Ryerson & Son's chain of warehouses . . .

Business Needs More New Money

There is no real shortage of capital, but some borrowers can't get the terms they want. Some expansion plans may be shelved.

Finding the money to pay the bills will be the key factor that often decides whether a company expands or stands still in 1948.

Since the war ended, industry and commerce have pumped billions of dollars into expansion. Investments in plants and equipment in the manufacturing field (where almost half of private capital expenditures is being made) are running at a level never reached before. Obviously, this means that plenty of businesses are getting expansion money from one source or another.

But more and more businessmen will find it heavier going. Their visits to the capital markets will become less pleasant.

Tightened Terms—Financial experts agree that so far there has been no real shortage of capital. By this they mean that the legitimate demands for funds have not outstripped the supply of money that is available for investment. But the same experts are quick to point out that the borrower can't always get money on the terms he would

like. And they admit that if a company is not top grade it may not be able to raise any new money at all.

One old hand in the investment banking business puts it this way:

- "If you're a sound company with good products and good markets, I'll sell any sort of security you want to put out. You won't like the price I get for stocks, but you can still do pretty well with bonds."

- "If you're a new company, or if you are going into something fairly risky, it's a different picture. The money is there all right, but that kind of security won't bring it out."

And this is the way the problem of raising capital is already making an imprint on businessmen:

- **Example**—There is a thriving department store in the Midwest that would like to build a dozen or more new suburban outlets right away. It has the locations spotted and the plans worked out. But so far, the project has stayed locked up in the president's safe. The reason: The company can't find any

satisfactory way of raising the money.

When the store's directors first O.K'd the expansion program, they planned to float a new stock issue. Before they could get the prospectus ready, the stock market went to pieces. Now, they say, new shares would have to be priced so low that it would dilute the equity of present stockholders.

The company could still sell bonds, of course. Or it could do some mortgage financing with its present properties as security. But the directors don't like the idea of hanging that much fixed debt around their necks.

- **Behind the Trouble**—The businessmen and the investment bankers agree on one thing: At the bottom of the trouble is the sickly stock market. Since stock prices tumbled in September, 1946, investors have taken a sour view of all equity issues. The price tags on seasoned stocks make it obvious that any new issue would have to be offered at a sacrifice price to move at all.

To see what this means to corporate financing, take a look at the way flotations this year compare with 1929, the peak year of a previous capital expansion boom.

- **1929 Comparison**—According to figures compiled by the Commercial &

Financial Chronicle, new money corporate issues in 1929 totaled \$8-billion. Of this, just under \$6-billion was in stocks. The other \$2-billion was in bonds.

In 1947, total new money issues will run something under \$4-billion. Bonds will top the 1929 figure. But stocks will be only \$1-billion or so—about one-sixth of 1929.

• **Biggest Money Source**—The biggest single source of new money for business in 1947 has been the plowed-back earnings of the corporations themselves. At midyear, the Dept. of Commerce estimated that the undivided profits of corporations after taxes were running at an annual rate of \$11.2-billion. In addition, capital consumption allowances (depreciation) and other adjustments were providing funds at an annual rate of \$7.9-billion. This gave a total of \$19.1-billion available to business from internal sources.

Against this, the Dept. of Commerce set estimated business gross investment of \$29.5-billion, including residential building. This left \$10.4-billion (annual rate) to be financed from outside sources.

• **Safest Financing**—Most corporations consider plowed-back earnings the best and safest of all ways to finance expansion. But there are drawbacks to it.

For one thing, stockholders complain bitterly if rising earnings are not reflected in their dividend checks. Also, big earnings provide the labor unions with a talking point when wage negotiations come up. And finally, from a broad viewpoint, the profits of an established company are no help or comfort to the man who is just starting a business and has not yet made anything to plow back.

• **Bank Credit**—For the past couple of years, a good many businesses have been able to pay for part of their expansion with bank credit. Usually bank loans don't go directly into fixed capital. But if they build up working capital, they free retained earnings for permanent investment.

But from now on, businessmen may find it harder to get help from their bankers, even when the proposed loans are perfectly sound. The Federal Reserve Board's demand for more controls over the banking system is already making banks more cautious. And if Reserve Board Chairman Marriner Eccles should get his way, all bank credit would tighten up considerably.

• **Only Real Answer?**—Most businessmen, surveying the financing picture, come out with the conclusion that a stock market revival would be the only real answer. Some are beginning to look ahead and worry about what will happen to the general level of investment if the market fails to climb out of its rut.

As these men see it, the time might

come fairly soon when business would have to call off its expansion plans because it couldn't find enough capital. In that case, they reason, there would be less production in the long run, lower standards of living, more inflation.

This danger of a capital shortage is one of the main points advanced in favor of an immediate cut in taxes. The argument is that federal taxes, especially the personal income tax, have dried up the sources of investment funds. Hence, until the tax burden is eased, we face a chronic shortage of the sort of capital that ordinarily goes into equities.

• **Collision**—On this line of reasoning, businessmen are likely to come into head-on collision with the government economists. Most of Washington's ex-

perts will argue that there would be inflationary pressure on the economy if business would scale down its immediate investment plans a bit.

As Washington sizes up the problem, the present level of investment contributes to inflation because it draws materials and labor that could be going into consumer goods. Eventually, experts admit, the new plant will come into production and help satisfy demand; but in the immediate present adds to the strain on the supply of labor and raw material.

Thus, most government plans controlling inflation—for instance, the Eccles program—would make it hard for business to get investment money not easier.

Russia Slaps Its Farmers

And gives city workers a higher living standard. That's what last week's currency-price reshuffle means. The apparent objective is to get factory employees to boost manufacturing output.

Suppose that overnight Washington whacked our \$29-billion currency in circulation down to \$3-billion; whittled the \$52-billion in savings bonds to around \$15-billion; sliced the \$81-billion in personal time and demand deposits by, say, a third or a half. To boot, suppose the Administration told farmers they were "speculators" and could go to hell.

In a sense, that's what Russia did last week.

Stalin and Zhdanov—whose henchmen kept saying there wasn't any inflation during the war—now say there's plenty. They have brewed a batch of economic medicine as strong as vodka from these ingredients:

New currency. It retires old paper on a one for 10 basis.

Reduced bank deposits. After the first 3,000 rubles, a citizen's savings are cut by a third; everything over 10,000 is shaved in half.

Bond conversion. With one major exception, old bonds get a face lifting that removes 66⅔% to 80% of their money value.

Abolition of rationing. The lid on consumer items is completely off.

New prices. There will be a general comedown in the price level, particularly in foods. Heretofore, Russia has had a three-price system for (1) state-owned ration stores, (2) state-owned stores that sold without ration coupons at higher prices, and (3) the free market in surplus farm goods and secondhand merchandise. All state prices now go down to the level of the ration stores, sometimes even lower. That should knock the props out from under the free market prices, too.

Wages. No change—that is, they will be paid in new money at the old rate.

• **Objective**—Whatever Russian loudspeakers say about it, this is no mere fiscal program. It's a planned reshuffle of the classes in the "classless" state. The object: internal and external improvement of Russian power.

Internally, Stalin has decreed a higher living standard for city people. Most of them are workers; but bureaucrats, artists, and other higher-paid groups particularly will get a handsome ride on the official gravy train. The real wages of these groups will go up. For they'll get the same amount of money as before, but there won't be any rationing and prices will go down. And their savings in bonds or deposits—won't be cut as much as cash in the currency reform. Moscow thinks this will bring about an increase in productivity.

Externally, Russia hopes it has a trump card to cover the Marshall Plan. The U.S.S.R. now becomes the only major nation in Europe without rationing. Hence the Communists in France, Italy, and elsewhere can preach: "We don't need the Marshall Plan. If you do what Russia did, we can pull ourselves out of the mud by our own bootstraps."

• **Farmers Hit**—The miracle of getting out of the mud, however, has a lot of hocus-pocus in it. In Russia it will be accomplished by a drastic rearrangement on the totem pole. The city population goes up a notch—out of the mud. The peasants go down a notch—into it.

During the war, the farmers were Stalin's fair-haired boys. They are allowed to sell a certain percentage of their produce on the open market

prices. Nobody squawked when the peasants cleaned up big in 1941-46; nobody got too tough when they diverted some produce to the free market which would have gone to the government.

But since war's end, the farmer's spot to the sun has been dimming. And after this year's pretty ample harvest, the state figured it was time to stop pampering him. It was the city workers who needed an incentive to work harder, produce more. To give them more goods, however, Moscow had to give the farmer a rap. Last week he got

They Held Cash—Scaling down the state was like putting a torch to the peasants' savings. Farmers—and especially Russian farmers—are notoriously fond of banks, preferring cash in the hothead to credit at a financial house. Russian estimates for 1944 indicate that 90% of all bank deposits were owned by city people. That gives an idea of what happened to the farmers' hoard last week when Stalin got out the axe—to 90% was lopped off.

What's more, the state already had paid off farmers for their 1947 crops—old rubles. And any produce they have left over, to sell on the open market, now will bring much lower prices. Thus both farm savings and farm income get a violent jolt—topped off by official insults to the effect that farmers are “speculative elements.”

Cutting down farm purchasing power, of course, automatically makes more goods available for city consumption.

Question for the Future—How Stalin will keep 'em down on the farm hereafter—or what will happen to productivity out in the wide open spaces—is now his problem for '48. American observers can make only tentative guesses as to a solution. Most involve a liberal role of the Russian police next year.

Another angle that intrigues U. S. observers is: “Will there be enough goods to go around now that Russia has abandoned rationing?” The obvious answer would be yes; for Moscow would hardly throw away ration controls unless money and goods were in some sort of balance. You can't be sure, however. Said a U. S. government official: “Formerly the Russians stood in line with coupons; now they'll stand in line without coupons.”

Don't Get Your Hopes Up—On one point there is almost unanimous U. S. agreement: The new program doesn't mean Russia is on the brink of collapse.

To be sure, the reshuffle has been ruthless—transferring the scarcity crisis from the urban population to the farmers. But Russia is desperate for more production in its factories while it feels pretty good about the last crop. So the farmer gets the beating—and it literally may not be his last unless he knuckles

under to the new scheme of things.

• **Contrast**—Even with what he gets in the reshuffle, though, the average Russian city worker is miles behind his U. S. counterpart. With a single month's pay, the average American factory worker can buy 237 lb. of A. & P. butter, or four men's suits in Crawford's highest price line.

But in the case of the Russian worker:

• If he spends his entire monthly salary on butter, he can now get a little over 17 lb.; previously, in nonrationed stores, he could afford only about 4½ lb.

• One wool suit now costs him three months' pay; it used to take six months'.

Cellophane, Machinery Monopolies Charged

The parade of antitrust suits goes on—and on.

• **Cellophane Monopoly Charged**—Last week the Justice Dept. filed suit against E. I. du Pont de Nemours & Co. charging monopolistic practices in the making and selling of cellophane. Six foreign companies were named as “co-conspirators,” but not as defendants. The suit asked that du Pont be required to sell “at reasonable prices such

of its plants as may be necessary” for companies other than its one domestic licensee to get into the field.

Du Pont's answer came quickly. The company denied the charges; it pointed out that cellophane had always had to buck competition from metal foils, waxed papers, and other plastic wrappings; it noted that, by licensing “the other American producer,” it had helped that competitor to expand. It also called attention to increased production, improved quality, and “21 price reductions from the original price of \$2.65 a lb. to the current price of 42¢ a lb.”

• **Shoe Machinery Case**—This week Justice fired another barrel. It accused the United Shoe Machinery Corp. of violating the Sherman act “by monopolizing the shoe-machinery industry of the ‘U. S.’” The suit says that United:

• Produces over 90% of most of the important types of shoe machinery;

• Is the only company in the country that can completely equip a shoe factory;

• Has acquired some or all of the assets of 15 competitors;

• Has acquired 4,172 patents since 1930, of which it uses only 363—the rest being “laid away on the shelf.”

The suit asks that United be forced: to sell some of its plants for making shoes and tanning machinery; to offer to sell its machinery to shoe manufacturers, instead of leasing, as it now does; and “to make available to its competitors all patents and know-how relating to shoe machinery.”

• **Answer**—United was as quick to answer as du Pont. It, too, denied the monopoly charge. In support of its position, it cited two U. S. Supreme Court decisions: In 1918, the company says, the court held that its method of doing business was not a monopoly in restraint of trade, and hence not a violation of the Sherman act. And in 1922 the court specifically praised United for renting its machines instead of selling them, thus making them “available to even the smallest shoe manufacturer.”



G. M. REWARDS MORALE

More than half of General Motors' personnel sat down recently to write letters on “Why I Like My Job.” Prize winning letter came from Thomas B. Anslow (right), Buick forge operator. As a reward, C. E. Wilson, president (left), gave him a golden key for a new Cadillac convertible. Anslow was one of 40 who won new cars; 5,105 others prizes—all G.M. products—included refrigerators, automatic washers, ironers, radios.

Company officials were enthusiastic over results. Said Wilson, “With attitudes such as our employees expressed, America will continue to be the greatest country in the world.”

MARTIN DROPS THE 3-0-3

The Glenn L. Martin Co. has abandoned plans to produce the 3-0-3, a pressurized, twin-engine airliner. All test work on the 3-0-3 has been halted, the company announced this week.

The 3-0-3 was to have been the pressurized version of the Martin 2-0-2 (BW—Aug. 23 '47, p. 26)—the first postwar two-engine plane approved for airline use. Martin has already delivered 10 of the 2-0-2's to Northwest Airlines; more are on order.

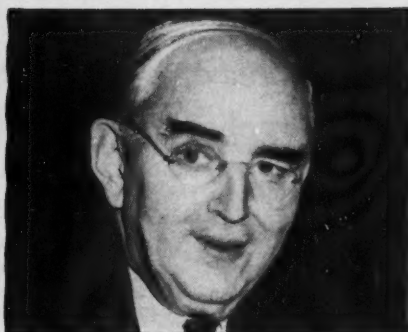
The 2-0-2 has lived up to expectations in actual use, Martin reports. In fact, the reason the company gives for quitting on the 3-0-3 is that the 2-0-2 “will fully meet the needs of the airlines.”



Truman



Taft



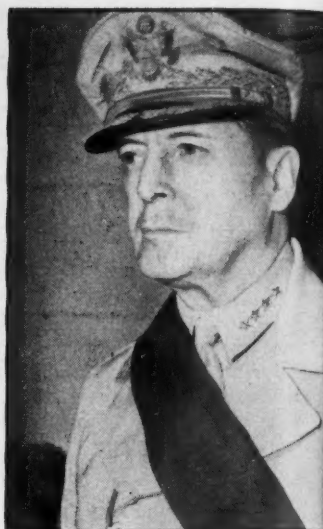
Vandenberg



Martin



Eisenhower



MacArthur

Truman vs. ...A Legislator?

Here's how leading candidates for Republican presidential nomination stand on national issues of interest to businessmen.

For the first time in nearly two decades, the Republican nomination for President is a plum that has the taste of victory. So tryouts for the leading role at Philadelphia next June are under way a lot earlier than usual. And everyone is trying to crowd into the act.

Already, the competition is keener than it has been for years. Three aspirants have formally announced their intentions. They are, in order of appearance: Ex-Gov. Harold E. Stassen of Minnesota; Sen. Robert A. Taft of Ohio; and Gov. Earl Warren of California.

Five more are listed by name in anyone's winter book—Gov. Thomas E.

Dewey of New York; Sen. Arthur H. Vandenberg of Michigan; Speaker Joseph W. Martin of Massachusetts; Gen. Douglas MacArthur of Wisconsin; and Gen. Dwight D. Eisenhower of Kansas.

• **Three Categories**—The eight leading contenders fall neatly into the three occupational categories to which Republicans have turned in picking nine of the 11 Presidents they have elected since Lincoln—legislator, governor, general.

Where do these contenders stand on the issues of the day? The major questions are: taxes, prices, labor, housing, foreign spending, military security. Among the eight Republicans, there

...General G

is more agreement than conflict. MacArthur is a political maverick. All are determined to cutting big government down. From their records on major issues, he is one can begin to assess the field. A member that in the heat of combat does a demonstration and the smoke in a caucus room, issues alone do not decide candidates.

Legislator?

If the nomination depends on who stands in sharpest conflict with Truman, then Taft fills the bill.

• **Taft's Views**—Taft personifies the control act, the killing of OPA. He is jockeying to prevent new controls.

The senator has voiced strong opposition to the multi-billion dollar



Dewey



Stassen



Warren

ra Governor?

...program; he insists that ex-
...foreign spending, and high taxes
...major contributors to present infla-
...He is opposed to compulsory mili-
...d. ...

...does agree with Truman on need
...long-range federal aid for housing
...education, and an increase in the
...hour minimum wage. But they
...on methods.

...Vandenberg's—Taft and his col-
...Sen. Vandenberg, part ways on
...Marshall Plan—as they did on the
...loan and Bretton Woods. But
...are in general agreement on domes-
...s the
...PA
...part of his tax-reduction program,
...Vandenberg would exempt businesses
...participate in a share-the-profit sys-
...with workers. As a parent of the

Federal Deposit Insurance Act, he is proud of his banking record.

Whatever campaign for Vandenberg develops, however, will be based on his efforts toward a bipartisan foreign policy. That and the best oratorical ability in the party are his chief talents.

• **Martin**—The reverse is true of Speaker Joe Martin. His oratory is as conservative as his politics. What Martin offers the party is acute political skill. It has been sharpened by seven years of leading a militant minority in the House, and by his control over the 80th Congress. Today that control is tighter than at any time since the days of Uncle Joe Cannon.

Martin, of course, almost automatically becomes your G.O.P. candidate if anything happens to Truman before convention time. For if Martin were President, the Republicans would be in virtually the same position the Democrats are now in.

Governor?

Dewey has done much in New York that he opposes on a national scale, arguing that most social services are state responsibilities.

• **Dewey's Program**—He is for modest federal tax reduction. But he is more interested in getting back for the states many avenues of taxation now used by Washington.

He favors compulsory training to insure a strong military defense.

Though he has given the nod to the Marshall Plan, he has made a running attack on the Administration's China policy.

• **Where Warren Stands**—Gov. Warren is the most unorthodox of the lot. The cause is easy to explain: Warren depends upon strong Democratic support in the crazy-quilt of California politics; and he comes from the West where both parties demand federal aid in developing industry.

He would not back away even from consumer controls if the inflation spiral continues to climb.

Tax reduction—with first relief going to low-income groups—would not be so important as budget balancing and debt reduction in Warren's platform.

He is for full-scale federal aid for housing, education, and health, and for liberal assistance to Europe.

• **Stassen Speaks Out**—In the year that Stassen has been an announced candidate, he has criss-crossed the country speaking his mind on myriad issues; and yet has found time to visit Stalin and to write a book.

His views on labor collide at points with Taft's but he supported the Republicans in overriding the Taft-Hartley veto last spring. He opposed Truman's tax-reduction veto, too.

Stassen would give tax relief to small businesses to put them in a better com-

petitive position with big business; also, he would fix at 50% the top limit on personal income taxes. If necessary to bolster revenue, he would back a general excise tax. He would earmark \$1-billion a year for housing, and would broaden social security.

Stassen is a firm supporter of the Marshall Plan, with one reservation: No recipient country could use American aid to finance expansion of a socialist economy.

General?

Neither MacArthur nor Eisenhower has any semblance of a political platform.

• **MacArthur**—It is assumed that both are Republicans, but MacArthur's long absence from the country (it virtually spans the Roosevelt-Truman era) prohibits considered speculation on his position.

MacArthur's preconvention support comes from the once-isolationist Midwest, though Col. Robert R. McCormick of the Chicago Tribune has passed him over for Taft.

• **Eisenhower Stumbles**—Eisenhower's political star was rising rapidly until cloak-room gossip spread about his theorizing on how to whip inflation. Supposedly he said something—at a private dinner staged by Pennsylvania G.O.P. bigwigs and attended by Taft, Vandenberg, and Martin—about business holding prices even at the expense of profits; the kindest word you hear is that his remarks were "sophomoric." Obviously they have been expanded out of all proportion. But whatever Eisenhower did say is not so important as what the politicians will hear that he said.

Eisenhower can be tagged on two major issues: He would have done as Truman did in vetoing the G.O.P. tax cut bill; he would have signed the Taft-Hartley bill.

• **Dark Horses**—MacArthur and Eisenhower are actually dark horses who happen to have a military spit-and-polish that sets them apart from other favorites. Dark horse strength is always potential rather than real. That means that Sen. Leverett Saltonstall of Massachusetts, or Sen. Raymond Baldwin of Connecticut, could emerge from a deadlock among the favorites as well as anyone else. There are others, too.

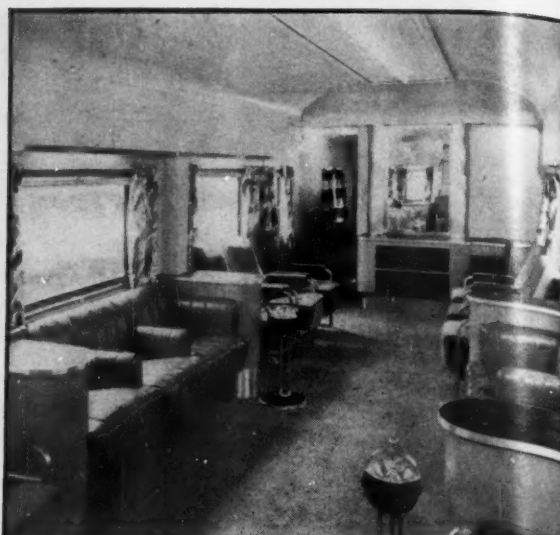
How They Stand

Best convention bet now is that Taft will start in the lead with 300-odd delegates. Where Dewey's estimated strength was 400 six months ago, it is now slipping away. Stassen claims 175 delegates to date. Warren can count on 75 to 100 as a starter.

At any rate, no candidate expects to go to Philadelphia with the necessary 548 votes to win on the first ballot.



ONCE this parlor car was the last word in travel comfort



NOW Budd's lounge spells comfort on Florida East Coast Ry.

New Pullmans Trickle Along

Shortage still acute, won't be licked next year. Railroads pressed for coaches first. Pullman Co. no longer buys cars; new custombuilt jobs ordered by railroads slow production.

The shortage of railroad sleeping cars is still far from licked, and it won't be over next year.

Only 55 sleepers were built up to Dec. 1 this year. The snail's pace in deliveries is pointed up by the fact that 721 other new passenger cars were put in service in the same length of time. And it looks as if, a year from now, many of the sleepers on order will still not be ready. The delay is easier for railroaders to understand than it is for travelers.

• **Reasons**—Since the war, Pullman passengers frequently find themselves on trains which provide newer, pleasanter accommodations for coach passengers. They wonder why they should be paying higher fares.

There are two main reasons for the situation:

(1) Railroads ordered and pressed for delivery on coaches ahead of sleeping cars, because of their greater capacity for carrying passengers. The roads wanted to keep up reclining-seat coach business on overnight runs. So more than half the passenger-train cars that have been built so far this year have been coaches.

(2) Now that the railroads are buying their own new sleepers—the Pullman Co. isn't buying sleepers any more (BW—Jul. 12 '47, p8)—they have become rugged individualists in their specifications for sleeping cars. This has slowed production. Making sleepers used to be a sort of mass production job. Now it has

become custom building. Each railroad decides the finish, arrangement, decorations, and other details of the cars that it orders.

• **Bottleneck**—The sleeper shortage ranks high among U. S. bottlenecks. Last August the average number of sleepers in service was about 4,500, 15% under the average for 1941. Yet passenger mileage for the first seven months of this year was up 40% over the same period in 1941.

Another difficulty is: Too many sleeping-cars are too old. Actually there were more than 7,300 sleepers owned by Pullman and individual railroads at the beginning of this year. But 72% of the sleepers were more than 20 years old, and 30% of them were even over 30 years old.

• **On Order**—U. S. railroads have more than 1,100 sleepers on order. The car builders—Pullman-Standard Car Mfg. Co., Budd Co., American Car & Foundry Co.—will make nearly all of these. Railroads will also build a few in their own shops. About 1,200 other passenger-train cars have been ordered. Half are coaches and coach-combinations. The rest of them consist of dining cars, lounge cars, observation cars, and such other equipment as baggage and postal cars.

With reasonable deliveries on materials, the car builders during 1948 can make a fair dent in their backlog of orders for sleepers. The emphasis on reclining-seat coaches is expected to fall

off somewhat. Builders could make faster progress if car specifications were more uniform.

Pullman-Standard reports that it now builds an average of only 6.7 cars (including sleepers, coaches, and all other kinds of cars) to the same specifications.

• **Needs**—The railroads need miles of new rolling stock. Passenger mileage this year has taken quite a drop from 1946. It is down about 34% for the first seven months compared with the first seven months last year. But this was to be expected. The significant fact is that passenger mileage for the first seven months of 1947 is far above what it was in the years before the war. It is 40% above the same seven-month period in 1941.

The roads want to repeat the experience of the late 1930's. Then, railroad passenger traffic increased along with automobile and plane travel. Railroad service will have to be up-to-date to be able to compete with other forms of transportation in a postwar travel boom.

• **Prices**—New-type cars are expensive. The average car of the 2,345 on order would cost about \$100,000 at current prices. Sleepers range from \$106,000 to \$115,000, as compared with \$75,000 to \$80,000 before the war.

But already the roads have proof of the increases new-type cars can bring in passenger revenue. Some prewar "streamliner" trains paid for themselves in 18 months. There is not much proof yet how new equipment will pay off on short runs. But some railroad men believe that even on short runs new equipment may increase traffic anywhere from 40% to 100%. They hope that the \$250-million worth of new cars now on order will be paid off in 2½ to 3 years.

States Rule Rates

Supreme Court gives local bodies control over natural gas sales by pipeline companies directed to industrial users.

The states this week won rate control over the natural gas industry's juicy market—sale of gas direct from interstate pipelines to industrial users. The Supreme Court, by an 8-to-0 vote, told the Indiana Public Service Commission to go ahead with plans to set rates for gas sold by Panhandle Eastern Pipe Line Co. to Anchor-Hocking Glass Corp. and E. I. du Pont de Nemours & Co.

Trend Reversed?—Possible effect of the decision: complete reversal of the present trend toward such direct sales. Reason: By an earlier Supreme Court decision, the Federal Power Commission has jurisdiction over extension of interstate pipelines into industrial plants. So the current decision, in effect, subjects such service to dual regulation. Pipeline companies have been pushing direct sales to industry hard during the past two years. FPC says one big northern company now sells more than 10% of its gas that way. Panhandle and the other companies will probably appeal to Congress to reverse the court decision. If that doesn't work, they eventually may turn over their industrial business to local distributing utilities.

Omission—Congress passed the Natural Gas Act in 1938. It gave FPC control over sales of gas by the pipeline companies to local distributors. State and local regulatory bodies retained the right to set rates on resale by these distributors to ultimate consumers. But the law made no mention of sale by the pipeline companies direct to ultimate consumers. In 1942 FPC asked Congress for jurisdiction over this field, but it was turned down.

Pipeline operators maintained that such sales were not subject to any rate regulation. Their thesis: The states couldn't regulate because the gas passed through pipes which were federally regulated. FPC couldn't regulate because the law specifically restricted its authority to sales for resale.

Decision—But the Supreme Court ruled that Congress, in passing the act, had not contemplated "ineffective regulation" at any level. It pointed out that it had already ruled sales made by Pennsylvania Gas Co. direct to residential and commercial consumers were subject to state regulation. It reasoned that sales by Panhandle to industrial plants were essentially the same thing, so it gave Indiana jurisdiction.

Battery Case Affects Business Abroad

A satisfactory basis for doing business abroad without running afoul of the antitrust laws is a principal outcome of the civil suit brought by the federal government against The Electric Storage Battery Co., and its subsidiary, Willard Storage Battery Co. Interest in the suit settlement is not limited to the battery business; other lines of foreign trade will get clues from it.

• **Consent Decree**—The battery suit was filed in May, 1945, after several years of preliminary investigation. It ended Nov. 24, 1947, as many antitrust cases do, with a consent decree. There was no court hearing and consequently no court decision as earlier reported incorrectly (BW—Dec. 6 '47, p. 24). Nor was the conclusion of the suit related in any way to the making or marketing of any specific type of battery.

The big thing the government complained about was the relationship of Electric Storage Battery and Willard with foreign firms. Agreements, some of which were more than 50 years old, were alleged to be contrary to United States law.

The American companies denied this allegation and all other charges of illegality. Finally, negotiation between Electric Storage Battery and Willard and the government led to an understanding on future international business operations in the battery field.

ness operations in the battery field.

• **What It Covered**—These major points were covered by the settlement:

(1) Agreements which may be entered into with foreign companies have been defined.

(2) E.S.B. is not to operate under certain old agreements (all, however, were either inoperative at the time the suit was started or have been terminated since).

(3) Licenses under a few specific patents are to be issued upon request on a reasonable royalty basis.

(4) Voting power of E.S.B.'s stock interest in Chloride Electrical Storage Co. Ltd., a British concern, is to be trusted, without affecting investment interest or returns from the investment.

(5) Rights remain intact in all of company's important trademarks, such as "Exide" and "Ironclad."

• **Importance**—R. C. Norberg, E.S.B. president, explained the importance of the suit settlement to other American companies. The negotiations with the government, he said, have cleared up questions with respect to the conduct of business abroad, including agreements American companies may enter into with foreign manufacturers, under present interpretation of law.

Said Norberg: "Clarification of laws pertaining to foreign trade is important if American industry is to maintain the volume of export business considered essential for maximum employment and the prosperity of the American people."

ART GOES BIG BUSINESS

For New York art dealer Reeves Lewenthal, industry has helped turn art-selling into a big business. In fact, it has turned his company, Associated American Artists, into one of the biggest art firms in the U.S. In 1944, its gross sales came to \$886,000. Last week, when he opened a Beverly Hills (Calif.) gallery, Lewenthal estimated that the 1947 gross would hit \$2.7-million.

Secret of Lewenthal's success is twofold: (1) He has persuaded many industries to use art in advertising; and (2) he sells reproductions on a mass scale.

At first, companies shied away from the idea of using fine arts in their ads. But the war gave it just the boost it needed: With little to advertise but prestige, businesses began running paintings to keep their names before the public (BW—Aug. 10 '46, p. 64). Among Lewenthal's present accounts: Abbott Laboratories, American Tobacco Co., General Foods, Standard Oil Co. (N. J.).

For the mass market, Lewenthal sold reproductions by mail and through the stores. The idea caught on, and he expanded.



SUPERSALESMAN of art for the masses: Reeves Lewenthal unpacks pictures for his new Beverly Hills gallery.



IDLE RECEIVING DOCKS of U. S. Steel's Gary plant will come to life next spring. Steel men ask: Will this be soon enough?

Are Ore Piles High Enough?

Record peacetime lakes season ends; 77-million tons of ore brought down from Superior. But carryover next April may be less than this year's. Bad weather could endanger 1949 steel output.

Fred Harvey's Oak Room, the Union Club, and the Mid-Day Club in Cleveland took on an uncommon air of conviviality for a few days last week. Iron ore producers, coal owners, and shippers were hobnobbing there to celebrate the end of the Great Lakes shipping season. The last iron ore carrier had been loaded and dispatched from the Lake Superior ore area on Dec. 9.

• **Record Carrydown**—The group had good reason to be in a holiday mood. As predicted (BW—Apr. 19'47, p21) this season's was the biggest peacetime movement of ore in U. S. history. The carrydown of ore by ship from the Lake Superior district totaled 77,898,087 gross tons. This was better than the previous peacetime record, established in 1929, by more than 12.5-million tons.

To this figure can be added an estimated 1.7-million tons of ore which went from the mines to blast furnaces by rail. (Practically none of this reaches the major steel-producing area—which extends around the southeast rim of the lake region from Chicago to Buffalo.)

The 1947 season's gratifying carrydown resulted only from the fact that good weather lasted well into December.

• **Stockpile**—Despite the heavy movement, some operators and shippers

talked last week in subdued tones about the possible condition of ore inventories at lower lake ports and in mill yard bins come next spring.

In 1946, slightly more than 59.3-million tons of ore were brought down by water. By Apr. 1, 1947 (approximate annual opening date of the ore-shipping season), the stockpile was down to 17.4-million tons. Since shipping got off to a slow start, furnaces gobbled up ore faster than it could be brought in. By May 1 the inventory of ore in the blast-furnace area had shrunk to 13.5-million tons. Ore was being used up at a rate of close to 7-million tons a month. That meant that there was less than two months' supply on hand, unevenly distributed as to ownership and grade.

• **Prospects**—In the first six months of 1947, the U. S. iron and steel industry used 40-million tons of ore. Consumption for the last six months of this year is put at 41-million tons. Best estimate at this time of the carryover on Apr. 1, 1948: 14.5-million tons, or about 3-million tons less than last year's carryover as of that date.

Ore merchants, furthermore, are quick to point out that this estimate may be high. One reason: Some blast furnaces, big babies among them, that were not in operation early last winter,

are in full production now. Another: Some furnaces which have been idled through 1947 are expected to be put back in blast early in 1948. And a new set of large capacity may get into operation late in the year.

• **Danger**—Therefore, bad weather in the lakes next spring may cut the supply of ore on hand to a dangerously low level.

Lake Superior mines operated at a steady pace this year. But they were not pushed for production. For the peacetime shipping record was far below the record of 92-million tons shipped from the mines in wartime 1942. It was lack of ore ships that held the shipping figure this season to less than 78-million tons—the goal set in mid-summer after pruning the early season aim of 80-million tons.

• **U. S. Ore Picture**—The ore tonnage brought down from Lake Superior is the key to U. S. iron and steel production. For instance, in 1947, up to August, the region produced 82.5% of United States ore.

By comparison, this is how the output of other U. S. ore areas in the same period stacked up:

IN THE SOUTH, the area around Chattanooga and Birmingham produced and shipped around 8%. It now looks as if this area will beat its 1946 output of 6.2-million tons.

IN THE NORTHEAST, ore production was up over 1946. By August, it had already produced almost 2.6-million tons, as much as all of 1946. This comes to 4.1% of U. S. production. In this section, iron ore is mined in



★
AT
THE
GLOBE
THERE'S A
TREE WITH ITS
BRANCHES AGLEAM,
WITH GOOD WISHES FOR
ALL WHOM WE HOLD IN ESTEEM



or those bright friendly people who honor our pages
May their products . . . and profits . . . go on through the ages
For example, may more and more folk wash their duds
Using Kirkman's, Lux, Ivory, Dreft, Supersuds
And may Lifebuoy, Swan, Colgate Palmolive Peet
Keep folks shining . . . as Lucien Lelong keeps them sweet
May Beacon and Johnson and Tavern, all three,
Wax brighter and brighter, assiduously,
May Buick, Dodge, Cadillac . . . Packard, as well,
Find the road smooth ahead . . . also, Calso and Shell
May the War Assets Corp. and the Fats Conservation
Sell their goods . . . and their goals . . . to a listening nation
May men of distinction when tempted to scowl
Relax with the smoke of a Phillie, White Owl,
J.A. . . La Magnita . . . or 7-20-4
While sipping their Calvert, Four Roses, Glenmore
May hands . . . holding glasses . . . be raised high aloft
For Harvard and Hanley and Ruppert and Croft
The same wish for Dawson, and Carling, of course
Narragansett and Ballantine, Pickwick, Black Horse
May larders be loaded (both here and abroad)
With all the fine brands knowing housewives applaud
For coffee . . . there's Matchless and Victor, *per ex*
Or (cereals) Ralston, Kellogg, and Maltex

Cain's, Rosebud, Van Camp, Andy Boy and Stahl Meyer
Clapp, Crosse & Blackwell, Nabisco and Squire
Gen. Foods, Standard Brands, Libby, Swift and Armour
(Well seasoned with Gulden's and Stickney & Poor)
There's Coke and there's Pepsi, Life Bread, Good Luck Pie,
Royal Crown, Borden, Beechnut, and Canada Dry
McCormick and Monarch and Welch . . . College Inn
(We could go on for pages and barely begin !)
So to "food for the spirit" let's turn . . . while we willin' —
— ly sing forth our praises of Bruce and Macmillan
And note our affection is surely not pifflin'
For Doubleday, Little Brown and Houghton Mifflin
Or . . . if something lighter you seek than a book
Try flipping the pages of LIFE or of LOOK
For general reading, the DIGEST is grand
And, of course, with the ladies, GOOD HOUSE gets a hand
Now let's turn to "good spirits" . . . Your Health, Gentlemen
In . . . (take your choice) . . . Carstairs, Fleischmann or P.M.
Hiram Walker or Seagram, Brown Forman or Schenley
(Don't sample them *all* . . . you won't *stay* "gentlemenly" !)
May holiday goodies be served with an air
Thanks to General Electric, Presto, Frigidaire,
Using Glenwood to cook on . . . Pyrex to cook *in*
(And . . . to top it all off . . . several Bayer Aspirin!)
May Daggett & Ramsdell, Noxzema and such
Keep feminine faces still smooth to the touch
While Valet, Vitalis, and Gillette and Gem
Do the same in reverse . . . i.e., *ad hominem*
May holiday carols and greetings ring forth
On Emerson, Philco, S. Carlson, Farnsworth
And still we've omitted a host of our friends . . .
Camel, Lucky, Old Gold . . . (why the list never ends!)
Dr. Lyons . . . Great Northern . . . Greyhound . . . Pepsodent
We could go on all night and make scarcely a dent
In the brands by whose standards Americans live
So if we've left you out . . . please, won't you forgive
And believe . . . (which is true) . . . our good wishes go forth
From N.E. to the Coast . . . from Down South to Up North
To list *all* would require the patience of Job
But we love you . . . *all of you* . . . believe us!

THE GLOBE

The Boston Globe

MORNING • EVENING • SUNDAY

National Representatives: J. B. Woodward, Inc., New York, San Francisco, Los Angeles Osborn, Scolaro, Mosker & Co., Chicago, Detroit

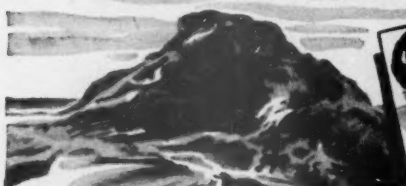


elephone ours



HAWAII

HAWAII, PARADISE OF THE PACIFIC, INCLUDES 8 LARGE ISLANDS AND MANY SMALL ONES SPREAD OVER 1100 MILES OF OCEAN. ITS LAND AREA OF 6,441 SQ. MI. IS ABOUT 1/4 THAT OF IDAHO, ITS POP. OF 519,500 ALMOST AS NUMEROUS.



WORLD'S LARGEST FIRE-BOWL-- FROM SMOKY SEAMS ON THE SLOPES OF MAUNA LOA, WORLD'S LARGEST VOLCANIC MOUNTAIN, THE WIND BLOWS DELICATE, GLASSY FIBERS OF LAVA, CALLED "PELE'S HAIR" AFTER AN ANCIENT GODDESS.



KINGDOM OF SUGAR-- ABOUT 70% OF HAWAII'S ARABLE LAND IS PLANTED IN SUGAR, LEADING CROP ACCOUNTING FOR 1/3 OF TOTAL EXPORT REVENUES. PINEAPPLE, THE SECOND CROP, SUPPLIES 90% OF THE WORLD'S NEEDS.



DYNASTY TO DEMOCRACY-- WHEN CAPTAIN JAMES COOK DISCOVERED HAWAII IN 1778, EACH ISLAND WAS RULED BY ITS OWN CHIEFTAIN. BY 1810, KING KAMEHAMEHA I HAD MADE THE ISLAND GROUP INTO A KINGDOM, WHICH LASTED UNTIL HAWAII BECAME U.S. TERRITORY IN 1898.



OLD LANGUAGE, NEW ALPHABET-- ALTHOUGH LEGENDS OF ISLAND HISTORY WERE WELL REMEMBERED, IT WAS NOT UNTIL 1822 THAT THE HAWAIIAN LANGUAGE OF 7 CONSONANTS AND 5 VOWELS WAS WRITTEN DOWN BY AMERICAN AND BRITISH MISSIONARIES.



COLORFUL CUSTOMS-- THE HULA, ONCE A RELIGIOUS DANCE, IS CHARACTERIZED BY SUBTLE MOVEMENT AND FLOWER-LEI NECKLACES. THE LEI IS NOW GIVEN AS A TOKEN OF AFFECTION AND FRIENDSHIP.

The Territory of Hawaii and the principal countries of the world are as near as your own telephone. A three-minute week-day call from New York costs \$9; \$7.50 at night and on Sunday.

Bell System OVERSEAS Telephone Service



New York's Adirondacks, in eastern Pennsylvania, and in New Jersey almost within sight of New York City.

IN THE WEST, mines by last August were already well above their 1946 production. They had produced 4.8% of U. S. iron ore.

• **Ships' Role--** The importance of the lakes region makes the ore fleet a factor in iron and steel production. Producers and shippers are looking for a fleet over. They know that the fleet being mentioned already as the amount of ore to be brought down next year is 90-million tons. They know, too, that this can't be reached with the 1946 fleet--275 ships in regular service, part-time.

To make matters worse, 39 Canadian ore carriers that helped this year will be available next year. The agreement allowing ships under Canadian registry to carry ore to U.S. ports expired with the present shipping season. A new agreement can be worked out, but the ore tonnage delivered by these ships was small compared to the total available.

• **Grain and Coal--** Much shipping is also used to move grain from the lakes of the lakes. But if any appreciable amount is diverted to the ore trade, it might not be able to meet our international grain commitments.

The efficiency of the ore fleet, shippers agree, could be improved by changing the coal haul from Ohio lake ports to Chicago.

This season, an estimated 52.3 million net tons of coal were moved from the lower lake ports. Most of this went to the upper lake ports. But 3.5-million net tons of coal went to the Chicago area from Ohio lake ports. While it relieved coal car shortage, it was costly for the ore companies. Coal delivered to upper lake ports from Ohio ports takes little extra sailing time. But when the ships must take a cargo of coal to the Chicago area, then go on to Lake Superior for ore, they lose a lot of valuable shipping time. The shippers favor turning this coal hauling back to the railroads.

Adding new ships to the present fleet could be the answer--except that it takes about two years to build one of the new type 18,000-ton ships. Another factor: Fleet owners hesitate to make an investment of some \$4-million in a new ship. Some believe that the present fleet is sufficient for normal times.

• **Weather Permitting--** If there is normal weather during the 1948 shipping season in the lakes area, conservation producers and shippers see themselves as squeezing through next year. But if conditions aren't good, some see a steel curtailment in early 1949 stemming from a short supply of ore.

UTILITIES

Gas Rates Move Higher

And electricity rates may follow. After years of constantly lower rates, the utilities are finally feeling the full effect of rising costs. Cincinnati G. & E. asks temporary electric-rate boost.

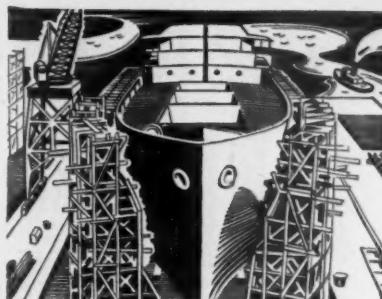
While the over-all cost of living has risen some 63% in the last eight years, the cost of domestic gas and electric service has dropped 7%. Obviously, this couldn't go on indefinitely. Utilities' operating costs have risen along with everything else's. So have the costs of their fuel and other materials. So, recently, they have raised the costs of their new capital.

Leaders—The gas companies were the first to bow to the inevitable. Since the start of this year, a number of gas-rate increases have been sought and granted. Among them: Brooklyn Union Gas Co.; Southern California Gas Co.; Minneapolis

Gas Light Co.; Cincinnati Gas & Electric Co.

Up to this month, however, no major privately owned producer of electricity had followed suit. Most companies that had rates contingent on the cost of fuel had boosted them to cover higher coal costs. A number of municipally owned systems, almost none of which is subject to regulation, had boosted rates. But that was all.

• **Followers?**—But now the procession may have started. A battle was being fought this week in Columbus, Ohio, before the state Public Utilities Com-



It's Speed They Wanted, but WOOD Gives Them Long Life, Too

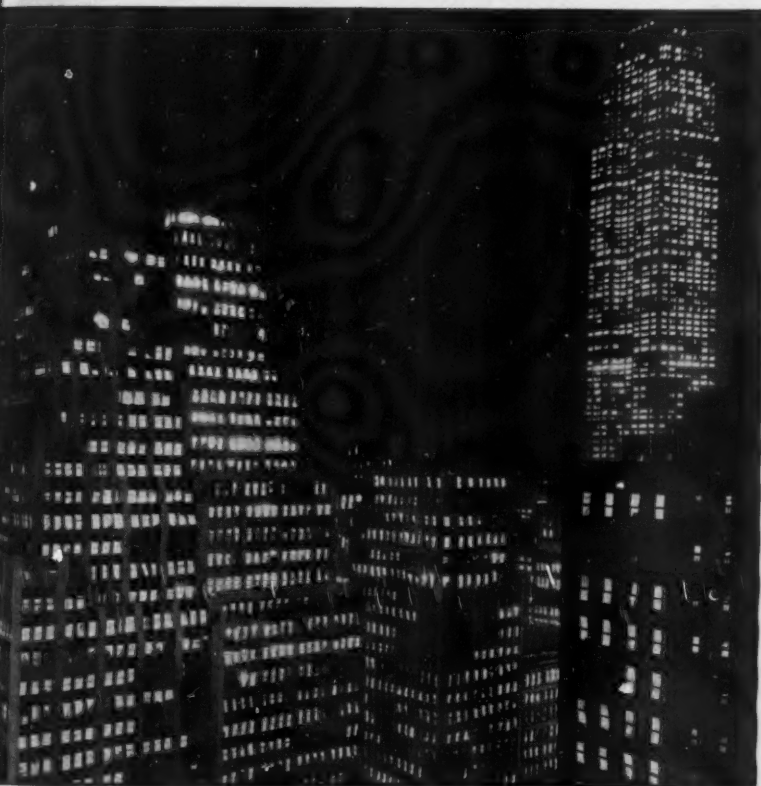
WHEN NAVAL ARCHITECTS specify more than two and a half million feet of "Wolmanized" Treated Lumber for lining and decking on ships built during the past two years, it's a certainty that this pressure-treated wood has the qualities demanded by the owners who must make their vessels pay a profit.

"**WOLMANIZED**" LUMBER is safe to use in below-deck construction because it's clean, odorless, paintable—and carries no added fire hazard. It stands up in rot-producing humidities that would destroy ordinary lumber in short order. There's no corrosion with "Wolmanized" Treated Lumber, and its insulating value is high.

IN PORT, this rot-resistant wood takes the worry out of wharf and pier decking, transit shed framing, and refrigerated warehouse construction. When it goes in, upkeep costs go down. Service records covering more than twenty years prove its durability. American Lumber & Treating Company, 1656 McCormick Bldg., Chicago 4, Ill.

*Registered Trademark U. S. Pat. Off.

Wolmanized
TREATED LUMBER



City Lights: A Big Winter Load

The glowing lights of Manhattan's winter nights emphasize the problem which the city's end brings to electric power systems. Daylight is at a minimum. Commercial activity is at a maximum. Transport load is

at a peak. All these loads pile onto the lines late in the afternoon, before the industrial load slackens. Combined, these factors boost demands on most electric utility systems to the year's high late each year.



You can see at a glance the sales appeal in the gleaming, jewel-like color of a PWC cord set, and it won't let your product down by losing its appeal. PWC insulation holds its sheen, its sturdy, crackproof flexibility under long, hard usage.

PWC identifies Plastic Wire and Cable Corporation, largest exclusive maker of plastic insulated copper conductors of every description. Whether your product calls for a simple cord set or the most elaborate harness with special properties, you'll find the answer at PWC. Our extensive engineering facilities, which have served scores of leading manufacturers, are at your disposal if needed. Write for full technical data on PWC insulation, or for facts and prices about PWC products.

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Flexible Cords • Multiple Conductors • Telephone Wires • Radio Wires • Power Cable • Cord Sets • Building Wire • Apparatus and Machine Tool Wire • Coaxial Cable • Shielded Cables • Special Purpose Wire and Cable

mission. The Cincinnati Gas & Electric Co. has asked the commission for a temporary electric-rate increase. The city of Cincinnati is opposing it.

The company says the boost is necessary because of the commission's long delay in settling its appeals from rate cuts dating back to 1944 and 1946. The city feels that the earlier rate cuts were just; it is fighting the company's appeals on these, too.

• **Court Action Asked**—Electricity isn't the only point of difference between the city and C. G. & E. The temporary gas-rate increase the company won earlier this year is also a bone of contention. Just as in the electric case, it sought the gas boost because of delay in settlement of its appeals from 1944 and 1946 rate cuts. The city is opposing these appeals, too. And it has asked the Ohio Supreme Court to nullify the temporary boost.

Controversial Rate Order Overturned in Wisconsin

The nation's utility executives—and many of the men who regulate utilities—got a Christmas present last week from Wisconsin Circuit Court Judge Alvin C. Reis.

• **Reversed**—He reversed an order of the Wisconsin Public Service Commission that had threatened to throw the whole concept of utility rate-making into a turmoil.

The controversial order was issued some months ago. It cut, by about \$10,000 a year, the rates that Commonwealth Telephone Co. was allowed to charge in Two Rivers, Wis. The utilities' big quarrel was not with the rate cut itself, but with the yardsticks by which it was arrived at (BW—Nov. 15 '47, p. 48).

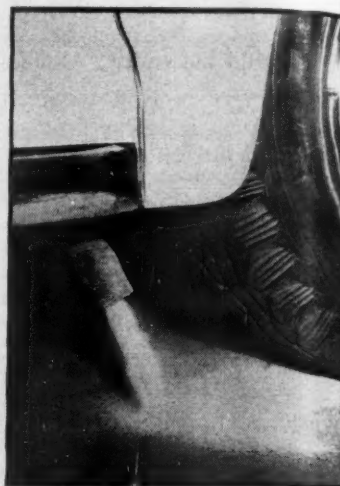
• **The Hope Case**—The commission got the rates, in essence, by deciding what it felt would be a fair profit for the company; then adjusting the rates to yield that much. It made no valuation of the company's property. Nor did it compute any other rate base on which the historical "fair rate of return" could be figured.

The commission based its unorthodox action on the 1944 decision of the U. S. Supreme Court in the Hope Natural Gas case. That decision overturned the "fair return on fair value" concept of rate-making; required only that the rate be "just."

In reversing the order, Reis said that the Wisconsin commission's "underlying error . . . is its misconception of the Hope case." His thesis: "Such a summary and abrupt exercise of power by an administrative agency," he said, "can mean the gouging of the public by excessive rates. . . . By the same token,

it may spell confiscation of the investments of investors."

• **Repercussion**—It was not known immediately whether the commission would appeal the decision. If it did, another big Wisconsin utility may find itself in hot water. Not long after the Two Rivers order, the commission used the same reasoning to back up an order granting the Wisconsin Bell System a \$6.4-million annual rate boost. It is quite possible that some telephone subscriber, on the basis of the decision, may protest that order.



SKID STOPPER

SAND POURS in front of an automobile rear wheels in this new sanding system devised by Jack Deagan of Palatine, Ill. Its purpose: prevention of skids on slippery pavements. The sand is piped from a tank in the car's trunk. The driver starts it flowing by pushing a release as he applies the brakes.



TRACKS OF SAND supply added traction for the wheels. The system has a hopper agitator that loosens sand clogged in the outlet pipes. Deagan hit upon the device as a way to make his daily commuting safer.

CASE HISTORY No. 4509



"DITTO Eliminates Back Order Problem—Saves \$10,500 Yearly!"

In this report Mr. Harry G. Beebe, Industrial Engineer, Chain Belt Company, Milwaukee, Wisconsin writes: "Week or ten days was formerly required to bill customers on partial shipments. Now, with Ditto's One-Writing Plan for back orders, we bill the customers in one day."

- Estimated clerical savings of \$10,500 yearly.
- Order set Dittoed in less than a minute.
- When necessary, production copies also reproduced.
- Invoice set Dittoed through re-use of Master, without re-writing.
- Back-order copies Dittoed without re-writing.
- Carries through to final shipment and billing regardless of number of back orders.
- Use of Ditto holds stationery costs at a minimum.
- Cost of Dittoing remarkably low.
- Flexibility of Ditto Method proves great advantage.
- Intangible benefits more important than clerical saving."

Write today for the complete Case History of Case No. 4509 which gives complete facts on this Ditto system.

DITTO

TRADE MARK REG. U. S. PAT. OFF.



ONE WRITING
BUSINESS
SYSTEMS



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What's on your mind, Mr. Manufacturer?



Mr. A is a leading manufacturer of shoe lasts.



Mr. B makes baseball bats.



Mr. C manufactures skis.

Different though their products are, each of these men came to Monsanto with the same problem ... ordinary finishes just wouldn't stand up in use on their products.

In each of these cases—and more than ten thousand others in over twenty five years—Monsanto's coatings experts evolved a different and special formula to meet unique specifications and unusual use conditions.

As a result of this extensive research and practical experience, Monsanto has on file quick answers to special finishing problems for practically every industry. If the coating or finishing demands of your business are "different," your answer might be right here. For complete information, address: MONSANTO CHEMICAL COMPANY, Merrimac Division, Boston 49, Massachusetts.



CAMERA VISITS INDUSTRY



1 PICKER gathers Comice pears at the Bear Creek Orchards, Medford, Ore.



2 SORTERS choose finest pears from moving belts at packinghouse

Packaged Fruit: Picker to Profits

Time was when palate-tickling delicacies for the Christmas season were bought only from local specialty grocers. In recent years multicolored ads in national magazines have enticed many readers to order direct from producers. Thus, a busy executive, without leaving his desk, can order cheeses

from Wisconsin, smoked turkeys from Pennsylvania, oranges from Florida.

In Oregon, the Holmes brothers of Bear Creek Orchards started a mail order gift-fruit business on one item—Comice pears. Gradually they added other products. Today, their firm has grown to assembly-line size.



3 WRAPPERS dress up fruit in baskets, ribbons, and cellophane. This year's sales will run to \$1-million on Christmas packages alone. Operation has grown so large that...



PUNCH-CARD GIRLS and machines are needed to keep tap of 500,000 customers. Bear Creek has a booming year-around business, ships a million packages annually



BOSSSES Harry Holmes (left), production manager, and brother David (right), who puts promotion on an "among-friends" basis, with office manager Nat Bender

Fruit Selling Is Big Business

Holmes brothers keep customers coming back for more with bright packaging, choice fruits, and "Fruit-of-the-Month Club" year-round sales. Christmas baskets will bring \$1-million.

In 1932, Harry and David Holmes leased 800 acres of pear orchards in Oregon, and in the words of Harry: "We were going bust fast." Europe, which had been the biggest outlet for the area's rare brand of fall and winter pears, had suddenly stopped buying. Within the United States brought

in less than the cost of growing the fruit. Some desperate orchardists were even pulling up the trees that they had spent 10 to 15 years on bringing to maturity.

But the Holmes brothers had other ideas: Why not put up those choice big pears in gift boxes? Americans ought

A

SPECIAL

**UDYLITE
SERVICE**
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THE UDYLITE PILOT PLANT is the proving ground—the link between the laboratory and the plating room.

Here your samples are processed under actual plating room conditions.

Here your plating problems are solved; new, more efficient cycles are worked out.

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2718

Udylite

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REPRESENTED IN PRINCIPAL CITIES



NO. 700

The HARTER Presidents

COMFORT AND BEAUTY
AND PERFORMANCE



NO. 710

This steel chair suite will bring you complete satisfaction. The Presidents offer deep-seated comfort, distinctive beauty, and flawless performance. Harter quality gives you more value for your money.

The Presidents are cushioned with U. S. Koylon Foam. This soft, thick foam rubber will not sag or pack down, always stays buoyant and resilient. The cushions keep cool and clean because of their completely porous construction.

Richly upholstered in Goodall Gros Point Fabric, attractive and durable. Choice of green, maroon, or brown upholstery. Baked enamel finish in gray, green, or brown; also grained walnut or grained mahogany.



Ask your Harter dealer to show you these fine chairs. Write us for illustrated literature. Harter Corporation, 212 Prairie Ave., Sturgis, Michigan.

HARTER

STURGIS, MICHIGAN
STEEL CHAIRS • POSTURE CHAIRS

to find them as delicious as Europeans.

• **Sales by Mail**—Today, the Holmes brothers sell, by mail-order, about a million gift packages a year to some 500,000 individual customers.

With Christmas nearing, every day for the past fortnight 15 to 18 refrigerated express cars have been rolling out of their Bear Creek Orchards' plant in Medford, Ore. Filled with individually wrapped and addressed packages, they are bound to almost every corner of the country. The chief items in the shipments are Comice pears, branded by the Bear Creek Orchards as "Royal Riviera." Other packages contain baskets filled with choice fruits, nuts, preserves, and confections. This year, the Holmes brothers expect their Christmas sales alone to run to about \$1-million.

• **Twelve Letters**—The brothers' success story began with a gamble. In 1932, with a dozen boxes of his fruit as samples, Harry went to New York. He visited office after office of big men in industry, but he didn't get in to see any of them. Back at his hotel, he dashed off letters to the "12 most important men in New York." He told them that a box of fine pears was on the way to them as a gift. On the afternoon the pears were to arrive, he sat by his hotel-room telephone. He didn't have to wait long—or to get in to see his men.

Out of these first dozen samples came Christmas orders for 486 boxes. Some of those first dozen men are still customers.

• **Fruit of the Month**—As shipments of Christmas gift pears grew, Harry and David sought choice products to ship in other seasons. In this way they could even out their seasonal business. In 1936 they added peaches. Later came apples, nectarines, and grapes.

As their line grew, they took a cue from the financially successful Book-of-the-Month-Club and set up their own Fruit-of-the-Month Club. For \$43.50 a year, members get seasonal fruits 10 months a year. The two months' lag results from the brothers' being unable to find enough different fruits to meet their standards. As it is, preserves go out in April as substitutes for fresh fruit.

• **Orders**—This season the Holmes catalog lists more than a dozen gifts for Christmas, and an even larger number of combinations for the Fruit-of-the-Month Club.

Individual orders usually range from a single box of pears (price: \$2.95) up to \$20,000 for gifts to a long list of corporation customers. But a healthy chunk of business comes from smaller cities and towns throughout the country.

• **Quality, Control**—The Royal Riviera pear is still the backbone of Harry and David's gift fruit business. In the rich soils, the bright sun, and cool nights of southern Oregon, this pear grows to its

finest. And every step, from tree planting to harvest, is watched carefully. Twice through the season, pears thinned. This lets those left grow big, well-formed fruit.

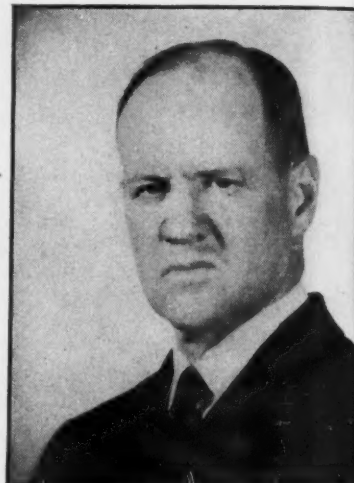
At the packinghouse, the pears sorted, held in cold storage for Christmas season. Then they are sorted again, to select only the finest for packages.

The vast numbers of pears that Harry and David now ship can no longer be supplied by the Bear Creek Orchards alone. So the brothers buy fruit from the outside under strict specifications.

• **The Marketing Methods**—Harry and David's merchandising makes the most of the romance of selecting and gathering rare foods. They advertise primarily by direct mail and in national magazines. David writes all the copy in an ambling, country-storekeeper style.

But the business isn't run like a country store. The job is vast, and the brothers use the most modern methods.

For Harry and David, this Christmas season has been the biggest ever. The past year they have expanded the plant by building a new cold-storage unit and adding a wing for putting up Christmas baskets. Now they are working out plans for a candy and preserve kitchen of their own.



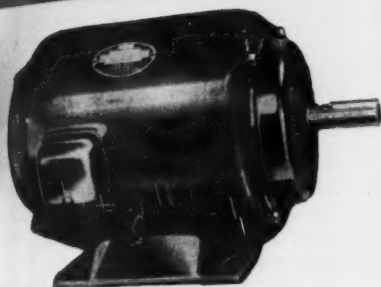
HEADS STANDARDS GROUP

Vice Admiral George F. Hussey, Jr., wartime chief of the Navy's Bureau of Ordnance, will be the new administrative head of the American Standards Assn. He takes up his duties Jan. 1, succeeding Dr. P. W. Agnew.

Hussey, who was commissioned in 1907, served in the Navy until his retirement Dec. 1 of this year. His record with the Bureau of Ordnance—where he worked closely with industry—won him the Distinguished Service Medal. At A.S.A., Hussey's major efforts will be toward increasing standardization of products and methods.



New "Lo-Hite" Motor
FLAT AS A PANCAKE



B-LINE MOTORS
 1/6 to 30 HP
B-LINE GEARMOTORS
 All Standard and
 Special Ratios
TOOLMASTER
 Electric Grinders
 Pedestal & Bench
 Wire or write for Bulletin

In addition to B-LINE Standard Motors from 1/6 to 30 H.P. there are many B-LINE Motors designed for Special Applications, such as the "Pancake" motor, developed for Scrubbing, Waxing and other floor machines. If you use Standard or Special motors of any type your inquiry is invited... Our Engineering Department will be glad to cooperate with you.
"If it's a B-LINE Motor it's Guaranteed"

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GENERAL OFFICES, DAYTON 1, OHIO

District Offices in Principal Cities



★★★★

★★★★

IN THE WATER COOLER FIELD, Sunroc stands out as the universal favorite for business, industrial, and institutional use. More and more concerns supply their needs solely from the Sunroc line.

You should do likewise. The Sunroc line embraces the widest range of AC and DC models on the market. Each Sunroc Water Cooler you select will have ample capacity to meet demand at point of use, with styling to harmonize with its particular environment.

Standardize with Sunrocs, the water coolers recognized everywhere as "the best value for the money." Sunroc pioneered in the industry... specialized in making the water coolers which today are without peers for reliability; efficient, trouble-free, economical operation; durability; and modern styling.

There's a Sunroc sales and service representative in your community. See him—or write for full information to Dept. BW-12, Sunroc Refrigeration Company, Glen Riddle, Pa.



Sunroc
Water Coolers
GLEN RIDDLE, PA.

Sunroc Branch Offices in Principal Cities
"SUNROC SERVES THE WORLD... a cool drink of water"

★★★★★★★★★★★★★★★★

PRODUCTION



CHIEFS of research: Edward Schulte (left) of Glidden's paint and varnish division; Dr. Percy Julian (right), director of the company's soya products laboratories

Glidden Emphasizes Research

And the policy has paid dividends. Revolutionary resin-based water-mix paint just announced is only one of the many new products that have marked the company's growth in its 30-year history.

From a small manufacturer of paint to a highly diversified maker of a multitude of products in just 30 years—that's the record of Cleveland's Glidden Co. A major part of the credit for this expansion goes to the company's ceaseless emphasis on research and the development of new products.

• **New Water-Paint**—Newest of these new products is Spred-Satin, a water-mix paint based on a new synthetic copolymer resin. Glidden executives describe the new paint as the first truly plastic coating. They say it will "definitely establish the superiority of water-mix paints for nearly all interior applications."

Among the qualities claimed for Spred-Satin:

- (1) It is practically odorless.
- (2) It can be applied to all interior surfaces, including wood.
- (3) It is dry enough 20 minutes after application to permit picture-rehanging.
- (4) It resists rubbing.
- (5) It can be spot-washed with soap and water without changing color.
- (6) It has a rather "flat" appearance when viewed directly, a sheen when looked at from an angle; these qualities are said to last indefinitely.

• **No Oil**—The new paint will be offered in 12 colors. Distribution will be limited at the outset, may have to be limited for as long as a year because of scarcity of several raw materials. The formula is a closely guarded secret. Glid-

den will say only that this is the first time that the ingredients have been successfully emulsified, that it contains no oil, and that titanium dioxide is one of the raw materials.

Development work on Spred-Satin started more than 10 years ago. But when Glidden thought it was ready for the market, "bugs" developed.

Company officials did their best to forget the whole thing. But four years ago laboratory workers revived the problem, making use of added knowledge in the field of synthetic resins that had been gained since the first try. More than a year ago, the present product was pronounced ready. Since then it has been under test for behavior in typical home use.

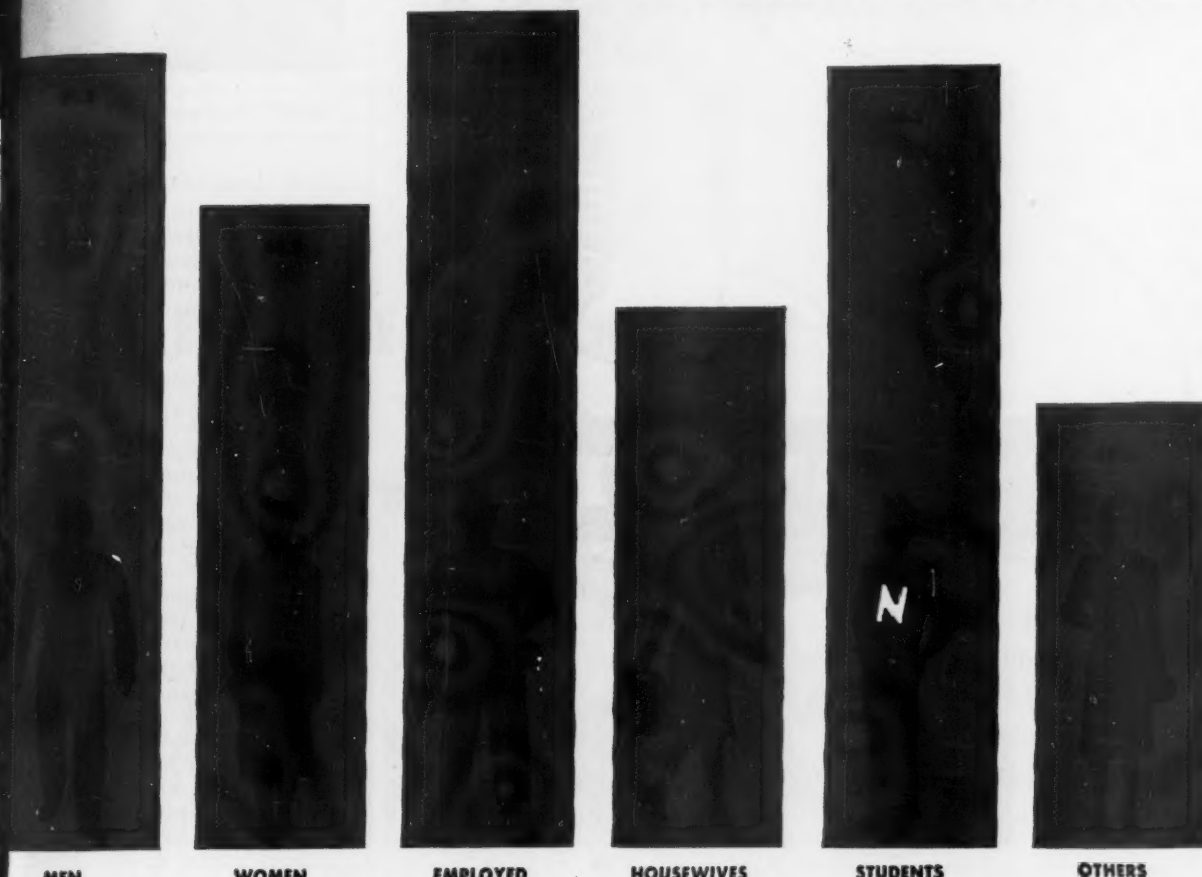
• **Policy**—Much of the credit for Spred-Satin goes to Edward Schulte (pictured above), research director of Glidden's paint and varnish division. Like most of the company's new products, however, the revolutionary coating is, in part, a product of several of its divisions. Company policy insists on close integration of research activities of its eight major product divisions and its 26 laboratories.

This policy has been a major factor in Glidden's expansion from paint into such apparently unrelated fields as food products, vegetable oils, soybean processing, chemicals, pigments, powdered metals, type metal, livestock and poultry feeds, naval stores, and sex hormones. It is still, of course, one of the country's

**OUTDOOR
"FIRSTS"**

No. 2 IN A SERIES

First in **COVERAGE** OF ALL THE PEOPLE



PERCENT WHO GO OUTDOORS

MEN	84.5%	DAILY
WOMEN	68.5	"
EMPLOYED (MEN AND WOMEN)	89.3	"
HOUSEWIVES	58.6	"
STUDENTS	84.3	"
RETIRED, ILL, NOT WORKING	47.6	"
AVERAGE (ALL PERSONS)	76.2	"

(Based on a pilot study made by the Traffic Audit Bureau in Fort Wayne, Ind.—1946)

O A I

The Right *Wire* for Your Product....



KEYSTONE WIRE

- Music Spring Wire
- Flexible Shaft Wire
- Pre-formed Staple Wire
- Tubular Rivet Wire
- Cold Heading Wire
- Spiral Binding Wire
- Rope Wire
- Galvanized Telephone Wire
- Gas Welding Wire
- Box Binding Wire
- Box Stapling Wire

The wire for your product may also deserve wire manufacturing skill and care far above that required for ordinary wire.

SPECIAL ANALYSIS WIRE
for all industrial purposes



KEYSTONE STEEL & WIRE COMPANY
PEORIA 7, ILLINOIS



PRESIDENT Dwight P. Joyce of Clidden heads the company his father founded

largest producers of paints, varnishes, enamels, lacquers, and other coatings. • **Program**—This diversification is part of the result of a program developed by the idea of controlling raw material sources and using all plant facilities to the fullest.

For instance, mills that made vegetable oils for industrial products were put to work to produce vegetable oils for food products. This led to Clidden's purchase of several food companies, leading to the creation of its Durkee Family Foods Division, which makes and markets margarine, coconut, spices, condiments, and other food products.

In the same way, the company's chemical and pigment division grew out of the need for raw materials for paints and varnish. Today this division is the country's largest producer of lithographic pigments, a major white pigment, and of cadmium reds and yellows, used in making coatings for automobiles and other metal products subject to sustained exposure. It also produces titanium dioxide.

• **Soybean Research**—Clidden's emphasis on research and new products is particularly evident in its Soya Products Division. Among the achievements of its research chief, Dr. Percy L. Julian (picture, page 40), is the synthesis of the sex hormones, progesterone and testosterone, from the soybean. The development has led Clidden into a patent-infringement suit by the Schering Corp.; Schering holds patents on a method of making progesterone from an alcohol obtained from the spines of cattle. The suit is scheduled to come to trial in Chicago in January, but an out-of-court settlement is predicted.

Another of the soya division's important products is lecithin, used in numerous industries (BW—Nov. 9 '46, p. 31).

• **The Other Divisions**—Clidden's natural stores division produces tars and resins.

WHY NEWPORT NEWS IS A GOOD PORT FOR SHIPPERS

● *Efficient Handling Equipment*

AT Newport News, the Chesapeake & Ohio Railway maintains four great covered piers for merchandise and two large open piers. One of these is equipped with two gantry cranes of unusual size and capacity, designed for handling bulk materials, such as manganese, chromium ore, bauxite and the like, from ships to railroad cars; and for transferring scrap iron, steel billets and other heavy cargo between cars and ships.

Each crane can handle a 30-ton load at a radius up to 70 feet, hoist it at 180 feet a minute, turn completely around with it on the boom

in 30 seconds, and travel with it along the pier at 100 feet a minute. Both cranes are equipped with ore buckets and weighing mechanisms. Coupled together, maximum capacity is 57.5 tons.

The other open pier is furnished with airveyor equipment and pipe lines for the rapid discharge of copra, and the quick transfer of palm oil and other liquid cargoes between ship and tank cars, or vice versa.

Where ships are concerned, time is an expensive commodity. Newport News is organized in every way to

save ships and shippers time and money. Quick turnaround is the rule.

And bear in mind that your regular freight forwarder can book your traffic via Newport News as readily as via any other port.

The World Commerce Department of the Chesapeake & Ohio is a service organization fully equipped to help exporters, importers, forwarders and ship operators on all problems related to rail and ocean shipping of foreign and intercoastal freight.

If you have a problem, contact G. C. Marquardt, General Manager, World Commerce Department, Chesapeake & Ohio Railway, 233 Broadway, New York 7, N. Y., or any C&O representative.

THE CHESAPEAKE & OHIO RAILWAY



*Everything
in Wiring
points to-*



—AND more and more buyers point specifically to *National Electric* trade names like those listed below when job material lists are being made up:

"INDESTRUCTO" (Neoprene-sheathed cords & cables)

"DILEC SAFECOTE" (fire-retardant building wire)

"A B C" (flexible steel armored bushed cable)

"CANVAS BACK LOOMWIRE" (non-metallic sheathed cable)

"NE'on" (thermo-plastic insulated wire and cable)

"NEasbestos" (all-asbestos and asbestos-varnished-cambric insulated wire and cable)

Plus all types of standard wires and cables as well as special cable made to customers' specifications.

The "NE" line includes all the necessary fittings for complete installations, also: *conduit . . . bus duct . . . surface raceways . . . underfloor duct . . . cable connectors.*

Leading electrical wholesalers stock National Electric products, and there are experienced National Electric engineers located in principal cities to serve you. National Electric Products Corporation, Pittsburgh 30, Pennsylvania.

You'll find it profitable to remember that—

Everything in wiring points to NE

National Electric

PITTSBURGH, PA.



turpentine, solvents, synthetic rubber compounds, and compounds for plastics. It has led the way in modernizing the age-old naval stores industry.

The company's Metals Refining Division at Hammond, Ind., manufactures cuprous oxide used in barnacle-destroying ship coatings; powdered iron, lead and tin; and type metal.

Glidden's other activities include joint operation of the Growth Producing Co. at Pascagoula, Miss., which produces growth factors for stock and poultry feeds from "fish stick" water—waste product of fish-oil processing that used to be thrown away; and joint operation of the Zinc Chemical Co., which makes and markets the zinc compounds used in insecticides.

Probably not even Adrian D. Joyce, founder and board chairman, could name offhand all the products Glidden manufactures. The paint division, for example, produces soapless cleaner, floor wax, polishes, insecticide, weed killer and other household specialties (BW—May 3'47, p. 58). Nearly every division of the company has a similar list of subsidiary but important products.

• **Personnel**—The growth of the Glidden Co. in its brief 30 years is a tribute to Adrian Joyce, an alumnus of paint competitor Sherwin-Williams Co. In 1917, Joyce and several of his associates bought the old Glidden Varnish Co. From this small start, the present sprawling giant has grown.

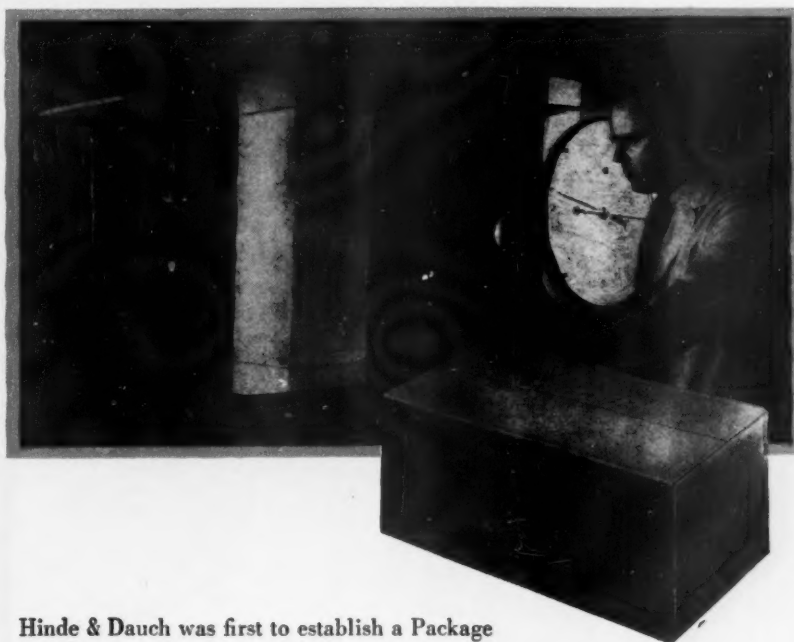
Now 75, Joyce still actively guides the company as chairman of the board of directors. R. H. Horsburgh, vice chairman of the board, is the only other executive remaining of the company-founding group. Dwight P. Joyce, son of the founder, was elected president a year ago (BW—Feb. 8'47, p. 72).

One of the striking characteristics of the older Joyce's leadership has been his insistence that the company utilize apparently useless raw materials. For example, the fume dust from which Glidden's lithopone is made was once a waste product. Other examples are the feeds from "fish stick" water; the wide use of formerly wasted portions of the soybean; and the materials used by Metals Refining Co. in making the powdered metals which are its major product.

• **In Good Health**—Financially, Glidden is in the soundest position in its history. Prepayment of a \$7-million balance on a \$10-million bank loan last October leaves Glidden entirely free from borrowings. Sales for the fiscal year ended Oct. 31, 1947, are estimated at \$185-million, up from about \$122 million in fiscal 1946.

Plant modernization and expansion are being pushed. Expenditures in 1948, including a new \$750,000 laboratory in Chicago, will be in the neighborhood of \$2-million.

first to establish a Package Laboratory



Hinde & Dauch was first to establish a Package Laboratory. Starting as a sample room, H & D enlarged its facilities to include a modern, completely equipped Package Laboratory in its factories in the United States and Canada. From the Package Laboratory came the LIFE PRESERVER*, the first baby chick shipping box; the first corrugated box for shipping canned foods; PREPAK*, the first unit package. These and many other H & D "firsts" were developed in the Package Laboratory where scientific construction and design are employed to increase packaging efficiency and reduce packaging costs. The Hinde & Dauch Paper Company, 4701 Decatur Street, Sandusky, Ohio.

LOOK TO

REG. U. S. PAT. OFF.

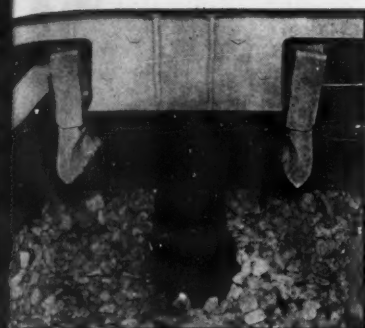
H&D

FOR PACKAGING
"firsts"

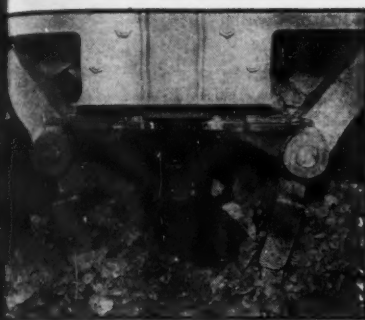
*TRADE MARKS REG. U. S. PAT. OFF.

HINDE & DAUCH *Authority on Packaging*

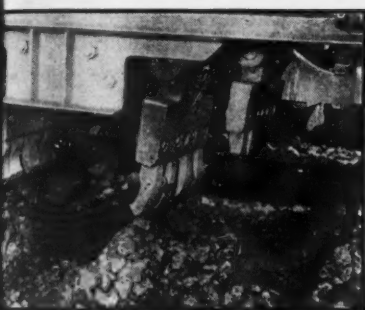
FACTORIES IN: Baltimore 13, Maryland • Buffalo 6, N. Y. • Chicago 32, Illinois • Cleveland 2, Ohio • Detroit 27, Michigan • Gloucester, N. J. • Hoboken, N. J. • Kansas City 19, Kansas • Lenoir, N. C. • Montreal, Quebec • Richmond 12, Virginia • St. Louis 15, Missouri • Sandusky, Ohio • Toronto, Ontario • Watertown 72, Mass.



TAMPER NEARS R.R. TIE ...



... DIGS INTO ROCK ...



... LEAVES TIE STRAIGHT

A power track-ballaster has been doing some of the heavy work on the railroads recently. Its job: to straighten "crooked" railroad ties. Moving along the rails under its own power, it can tamp stone, gravel, or cinder around and under ties at the rate of a mile a day. A crew of 48 men can cover only 500 ft. a day with pick and shovel.

The ballaster has a 5,250-lb. cross-head bar that spans the length of the tie. Attached to the bar are 32 tamping shoes. A 100-hp. gasoline motor raises the bar. It drops with pile-driving action into the roadbed rock. The shoes squeeze the ballast underneath, shove the tie straight. A crew of five runs the machine.

Made by Pullman-Standard Mfg. Co., the ballasters cost approximately \$35,000. New York Central has 23 of them working; Pennsylvania, Burlington, Northern Pacific, and Monon have some in service or on order.

TO WEIGHT-SAVING ECONOMY

ADD NO DETERIORATION
PROMPT DELIVERY

ESCHENBACH & RODGERS, Inc.

HAULING CONTRACTORS
620 N SEVENTH AVE.
SCRANTON 3, PA

Reynolds Metals Company
Truck & Trailer Division
Louisville, Kentucky
Gentlemen:

In June of this year we purchased four Reynolds all aluminum bodies through the Campbell Body Works, Olyphant, Penna. These bodies are 16 feet long and 7½ feet wide and are equipped with a ¼" aluminum diamond tread plate flooring.

Three of these trucks have been equipped with an Anthony Hydraulic Tail Gate and are used in the delivery of Jane Parker Bakery Goods to A & P Stores in lower New York State. These trucks have traveled in the past four months 24,480 miles, or 255 miles per day for six days a week. They have not deteriorated one iota in appearance during this mileage and cannot be distinguished from a truck just out of the factory. Overall weight is but 9700 lbs.

The other truck has been used in the delivery of groceries, produce and bakery products to various A & P Stores, and like the three mentioned above, is still a brand new truck, despite the fact that 25,340 miles have been traveled in four months.

At the present time you cannot buy a truck body within a radius of 135 miles from Scranton in less than three months delivery, whereas we have given our order on Tuesday for the Reynolds Body through the Campbell Body Works and delivery was made on Saturday, just four days later. Immediate delivery still obtains.

We cannot praise the Reynolds aluminum body too highly and we are looking forward to years of steady usage.

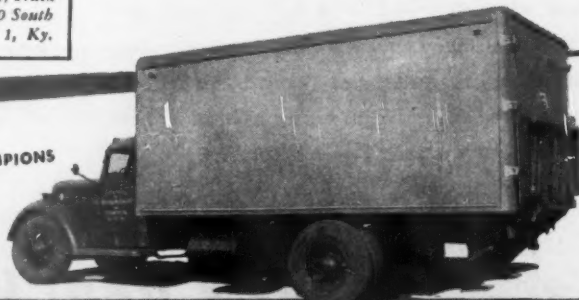
ESCHENBACH & RODGERS, INC.

By

Hugh J. Rodgers

Assembly from stock parts. For name of nearest distributor write Reynolds Metals Company, Truck & Trailer Division, 2000 South Ninth Street, Louisville 1, Ky.

"THE LIGHTWEIGHT CHAMPIONS
OF THE ROAD"



IF YOU SEE RUST
YOU KNOW IT'S NOT
ALUMINUM



REYNOLDS ALUMINUM TRUCK BODIES

British Industry Plans For Expanded Research

LONDON—British industry will expand its research programs next year barring a lack of buildings and manpower. Present activity is estimated \$120-million a year.

• **Government, Too**—In addition, British government is spending about \$18-million this year for industrial research. And that's only a drop in the bucket of the government's over-all search bill. Of the \$280-million total \$240-million is tagged for defense search under the Admiralty and Ministry of Supply.

The private industry figure is based on a survey just made by the Federation of British Industries (Britain's N.A.A.A.P. from reports of 420 firms. Each of the firms spends more than \$4,000 a year on research. And they are believed to conduct more than 75% of all research work done by British industry (this survey compares roughly with the American research study reported in *BW* Nov. 17, 1947, p. 58).

• **Expansion Plans**—Three out of five British firms plan to expand activities during the next two years; two out of three plan additional research buildings amounting to more than 2.5-million sq. ft. But the government's current restrictions on capital spending may delay these plans.

Additional scientific staff, estimated at 2,500, will be needed.

RESEARCH SPONSORED

Eighty-one postgraduate and postdoctoral fellowships will be awarded for the year 1948-49 by E. I. du Pont de Nemours & Co. This is six fellowships more than the company gave last year. Forty-seven universities will take part in the program.

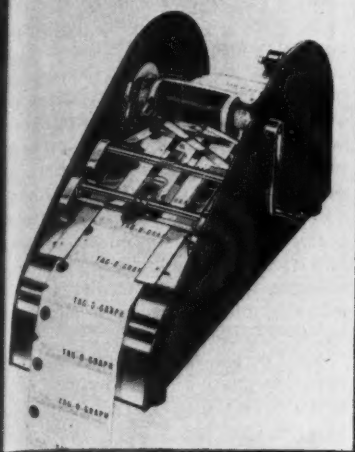
Offered for the first time are fellowships in: electrical engineering at the University of Illinois and Massachusetts Institute of Technology; metallurgy at Lehigh University; chemistry at Carnegie Institute of Technology, University of Delaware, and Washington University (St. Louis).

The postgraduate fellowships provide \$1,200 for single, \$1,800 for married students. Another \$1,000 goes to the university. The postdoctoral grants provide \$3,000 for the student, \$1,500 for the university.

Selection of candidates and the choice of problems are left to the universities.

In this year's program, 45 postgraduate grants are in chemistry, 15 in chemical engineering, seven in mechanical engineering, five in physics, two in electrical engineering, and one in metallurgy. The plan also provides for 10 postdoctoral fellowships in chemistry.

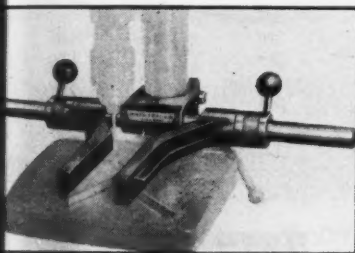
NEW PRODUCTS



Tag Addresser

Mailing tags and labels can be addressed at speeds up to 150 per min. with the Tag-O-Graph, a product of Weber Addressing Machine Co., 200 W. Central Rd., Mt. Prospect, Ill. The machine uses a special stencil, prints up to nine lines of address on a variety of tag and label sizes. Operation is by hand. The unit weighs 29 lb., measures 12 in. x 12 in. x 22 in. A counter is standard equipment.

Availability: 30-60 days.



Work Gripper

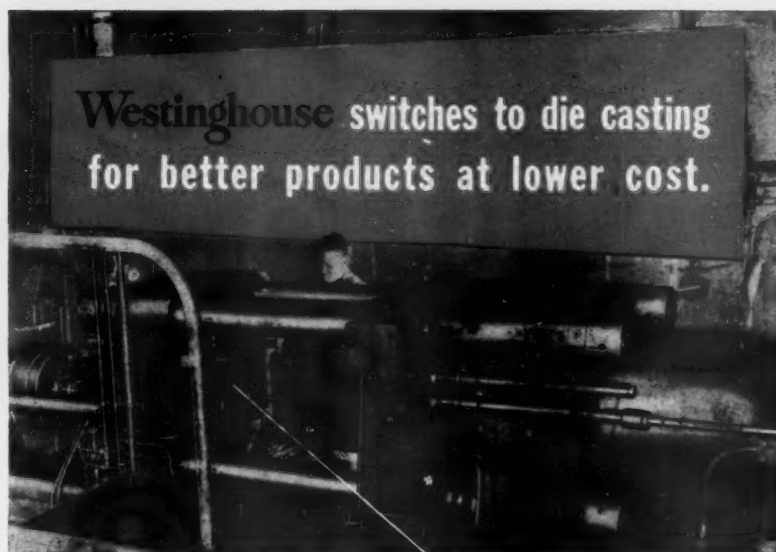
Easier drill-press work is the aim of the work holder manufactured by Universal Vise & Tool Co., Parma, Mich. The gripper clamps to the column of a small drill press, secures the work with a turn of a single lever. It eliminates makeshift clamps and clamps, thus increases drilling accuracy.

Adjustable clamping bars can be extended along a crossbar to hold varying work sizes. The tool will fit drill presses with columns from 1½ in. to 4 in. in diameter.

Availability: one week.

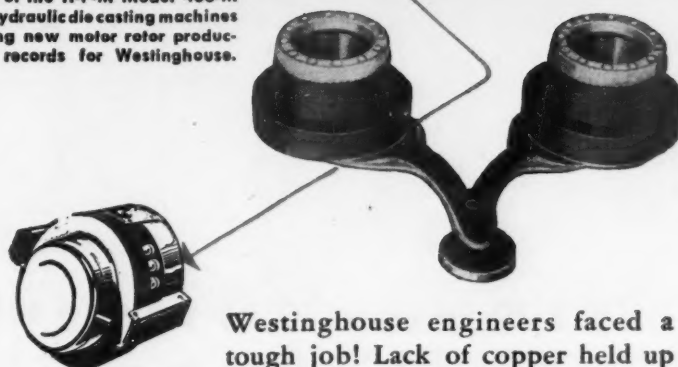
Threadless Pipe Joint

A new pipe fitting, the Flagg-Flow, allows steel or wrought iron pipe be joined without threads or welding. The joint



Westinghouse switches to die casting for better products at lower cost.

One of the H-P-M Model 400-M all-hydraulic die casting machines setting new motor rotor production records for Westinghouse.



Westinghouse engineers faced a tough job! Lack of copper held up production of badly needed refrigerator motors. H-P-M machines licked the problem by high-speed die casting of motor rotors—two at a time—using aluminum instead of copper. Westinghouse gained three ways—a better product... less labor... lower material cost—and gave the motor industry a better, less expensive way to higher production.

While stamping and machining operations may have an extremely important place in your manufacturing, many components *can* be die cast faster, better and at less cost. Why not investigate the possibilities for *your* products? Regardless of weight or size, die casting may be the answer. Write today or call in a nearby H-P-M engineer for a frank appraisal of die casting possibilities in *your* plant.

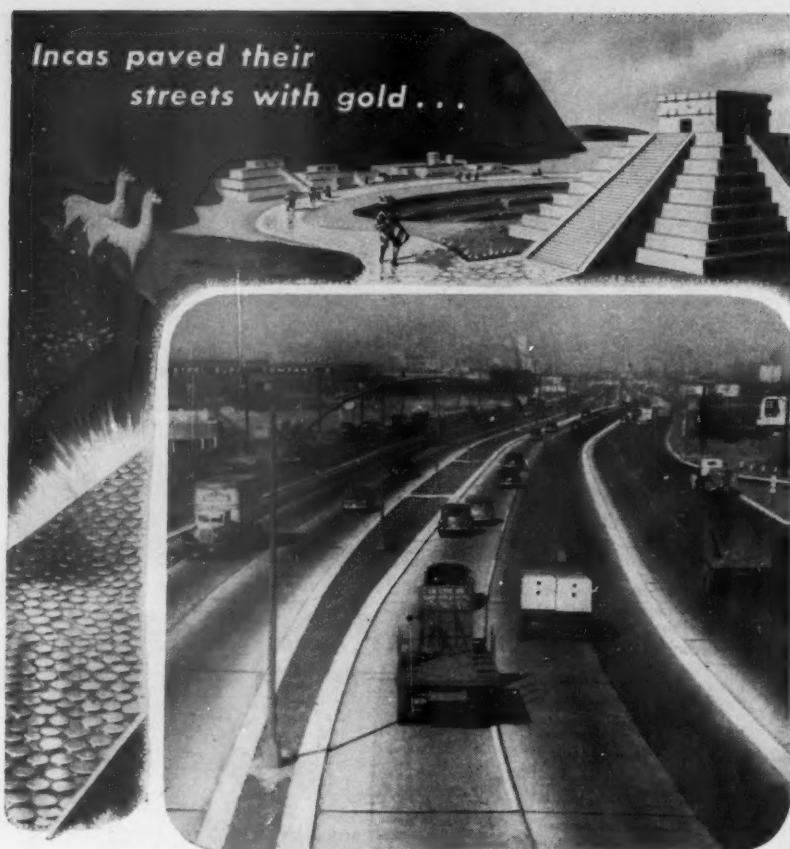
THE HYDRAULIC PRESS MFG. CO. 1000 Marion Rd., Mt. Gilead, Ohio, U.S.A.
Branch Offices in New York, Cincinnati, Cleveland, Columbus, O., Detroit, Pittsburgh, and Chicago.
Representatives in other principal cities. Export Dept: 500 Fifth Avenue, New York, N. Y. Cable—"Hydraulic".



All-Hydraulic
Self-Contained DIE CASTING MACHINES

REVOLUTIONIZING PRODUCTION WITH HYDRAULICS SINCE 1877

Incas paved their streets with gold . . .



Today you save gold by paving with **CONCRETE**

ACCORDING to legend, the Incas paved their streets with gold. Today's paving gold—your gas taxes, license fees and other taxes—buys the biggest pavement value when invested in CONCRETE because:

1. Concrete is usually lower in first cost than other pavement of equal load-carrying capacity.
2. Concrete costs far less to maintain.
3. Concrete renders long years of uninterrupted service.
4. Concrete reflects the most light, making night driving safer and helping to save lives—maybe your own.
5. Concrete cuts driving costs by saving on gas, tires and car repairs.

Concrete is **low-annual-cost** pavement. Thousands of miles of concrete roads and streets that have carried increasingly heavy loads for 25 years or more are still in use, good for many years to come. To get the best value out of the pavement you pay for, urge your public officials to use CONCRETE!

PORTLAND CEMENT ASSOCIATION Dept. A12c-12, 33 West Grand Avenue, Chicago 10, Illinois

A national organization to improve and extend the uses of portland cement and concrete . . . through scientific research and engineering field work

is made of malleable iron. It is attached to the pipe ends by a hard solder, applied at temperatures of 1160 F. above. The soldering alloy used in brazing forms a seamless, permanent bonded joint.

The fitting is for use on moderate pressure and -temperature systems where a "one-piece" welded line would be costly. The interior design of the fitting is a smooth, pocketless channel with diameter the same as that of the pipe. This allows free-flow, the company reports, and tends to reduce turbulence and friction loss. The fitting is intended to make pipe layouts simpler since there is no problem of wrench clearance, tight, inaccessible spaces.

Cost of the new fitting is "no higher than ordinary screwed-pipe installations." The manufacturer, Stanley Flagg & Co., Inc., 1423 Chestnut, Philadelphia, makes the fitting in sizes to 2 in.

• Availability: immediate.



Wirebound Pallet

A wirebound version of the industrial pallet has veneer slats stitched with staples at 1½-in. intervals. It is lighter than conventional types. Weight is approximately 18 lb. in a 36-in. by 48-in. size. Cost is about a quarter as much as other pallets.

The manufacturer, Indianapolis Wirebound Box Co., 1300 Beecher St., Indianapolis, says the pallet will carry 6,000 lb.—if the load is bulky enough to extend from one support to another.

• Availability: 2-3 weeks.

Water Wetter

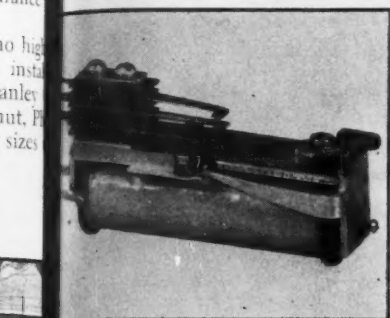
Unox, a new wetting agent, increases the fire-extinguishing action of water "200% to 400%." Its use calls for only a part of the compound to 100 parts of water.

To be effective against fire, water

penetrate the burning material to depth at which temperature is high enough to cause a breakdown of solid matter into gases. By speeding this penetration, the wetting agent increases the efficiency. In the case of porous materials it gets in where plain water cannot penetrate.

A wax also is used to protect storage tanks from radiated heat. When sprayed on the metal surface, it ups cooling efficiency by its spreading action. The product is manufactured by Carbide & Chemicals Corp., 30 E. 42 St., New York.

Availability: January.



Relay

Up to 12 electrical circuits can be tied in a variety of combinations by the General Electric d.c. relay made in Schenectady, N. Y. For use in industrial electronic equipment and communications, the device has a life span of millions of operations, G. E. says.

The relay works from five basic combinations. It is designed so that combinations can be grouped to take care of intricate switching requirements. More than 500 different coils are available for use in the relay, at ratings ranging from 1 v. to 250 v. Thus it is possible to match closely the rating of the energizing circuit.

Availability: immediate.

FREE-WAY PLIER has a hammer-head and screw driver. Maker: Foster Mfg. Co., 1 Kinsey Ave., Buffalo 17.

NEW INSECTICIDE, Nifos-T, is "unusually effective against mites and crop pests that are impossible to control with DDT." Monsanto Chemical Co., St. Louis 4, makes it.

POWER LAWN MOWER starts and runs when its handle is raised or lowered. Wheels are offset so that rough ground does not upset balance. It is within 1/4 in. of walls or sidewalks. Manufacturer: Mower Co., Rushville, Ind.

ALL SIZE WATER PUMP with 1/2 hp. engine is made by Marlow Pumps, Ridgewood, N. J.

MEMORANDUM

TO MANAGEMENT

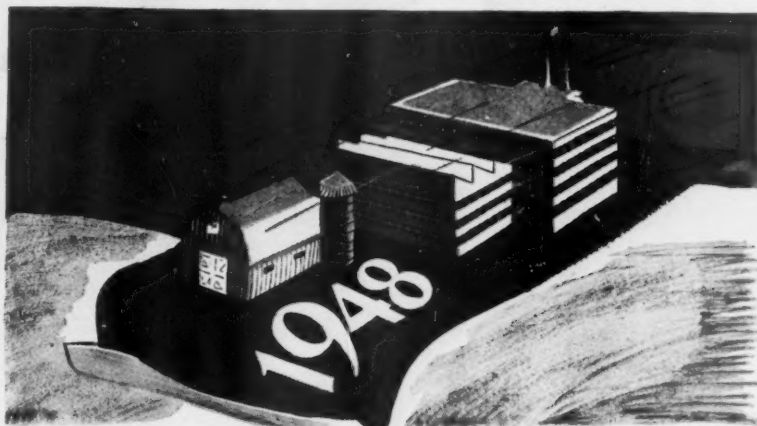


THE NEW AMERICAN MARKET: "THE NATION"

The last of the series of eight reports on "The New American Market" appears on pages 61 to 72 in this issue of Business Week. Called "The Nation," it weaves together into one pattern the many new developments in regional markets that were treated separately before. It also brings the picture up to date as the world is getting ready to welcome another new year.

changes in labor force and employment by industry; and on construction, farm and industrial shifts.

Technicians in various fields were assigned at the very outset to take on various segments of the job. The services of statisticians and computers were drafted for the mountainous detail work. Contacts with local research agencies, chambers of commerce, and



It is fitting at this time that a few words be said about the work done for these reports by Business Week's Economic Staff under the immediate direction of Sanford Parker. Early in 1947, the Staff was asked by Business Week's editors to provide a comprehensive post-war picture of changes in America's regional markets. An exhaustive research effort was undertaken that has produced a unique advance in the study of America's regions. In recent months we have had the additional pleasure of seeing the accuracy of much of this brand-new work confirmed.

One of the first jobs, for example, was to estimate current incomes and population so as to give management men the very first benchmarks on post-war markets. Department of Commerce statistics released since then have confirmed the accuracy of these estimates.

Another project was to compile new estimates and indexes of retail sales. A check of these estimates with subsequent analyses of actual sales tax returns for 19 states has demonstrated their validity.

In addition, wholly original material was compiled on the distribution of incomes and savings by regions; on

other interested and useful organizations were made. Pertinent figures that had lain dormant in the files of government organizations were unearthed. Material collected from such a wide variety of sources then had to be checked and cross-checked, not merely for arithmetic accuracy but also for market and economic significance.

As the final step in the job of bringing to management the fruits of this exhaustive research, the great mass of statistical details needed to be boiled down into the simplest, most graphic figures. The net result has been an entirely new contribution to the knowledge of regional economies and markets in America.

Reprints of the entire Business Week series on "The New American Market" will be available to management men within a few weeks. These reports present a complete picture of today's America. Copies are available at \$1.50. Please address your order to Reprint Department, Business Week, 330 West 42nd Street, New York.

Paul Montgomery
PUBLISHER

MARKETING



CANNED JUICE: Telecoin

HOT COFFEE: Bert Mills

JUICE IN CUPS: Snively

CANDY BARS: American



POPCORN: T. & C. Co.

SHOE SHINE: Bruner Corp.

NYLONS: Lehigh Foundries

COCA-COLA: Vendo Co.

Jackpot for Coin Vendors?

Chicago show of selling machines marked by prediction of \$2-billion business in five years. Some new machines on display, but most production is now centering on replacements of old ones.

Within five years, automatic selling through coin vending machines is due to hit the jackpot. That was the good news more than 2,000 manufacturers and operators of the machines heard in Chicago this week. The occasion was the first industry show that was ever devoted only to merchandise and service vending machines. It was sponsored by the National Automatic Merchandising Assn.

• **\$2-Billion Future?**—The prediction of bigger things to come was based on the recent tremendous growth in the use of machines. Industry leaders estimate that this year's gross sales through vending machines will run between \$500-million and \$600-million. And they figure that by 1952 gross sales for the in-

dustry will be running cozily at about \$2-billion a year.

The size of today's vending machine business came as a surprise to some outside the industry. But the figures simply stress its importance in the distribution picture—especially in the stiff competitive fields of soft drinks, candy, and cigarettes.

• **The Figures**—According to N.A.M.A.'s President R. Z. Greene, best estimates place the number of cigarette machines in use today at about 200,000. There are some 750,000 penny gum and peanut machines, 300,000 nickel candy vendors, many thousands of soft-drink machines. Service machines like scales, parcel lockers, and toilet locks run to about 350,000.

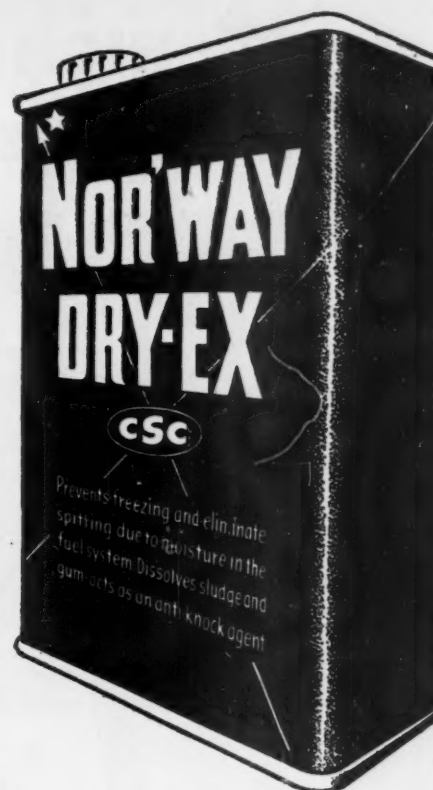
Greene predicted that within five years machines peddling these standard items would total 3,100,000—about double the present number. On top of this will be new machines selling different types of stuff—hot coffee, ice cream, fruit juices, hot sandwiches, groceries and nylons.

• **Present Emphasis**—But these are largely in the future. Reason: Operators are still crying for more of the standard type of merchandise vendors, both to replace those worn out during the war and to put in new locations. So the industry is trying to supply them with going into the newer gadgets (which are still unproved as profit-makers). At present, the sheet steel shortage is holding back top output of all types of the newer machines.

Despite these facts, the Chicago show had several new kinds of machines in the various vending fields. Examples are:

Electric cigarette machines, operating with relay switches instead of mechanically, were intriguing. Instead of pulling a lever, the customer merely

new and important for your car!



it tracks down the water in your gas tank, blends
it with the gas so it's burned off!



it banishes fuel-line freeze-ups...



it cleans your fuel system.



it gives you s-m-o-o-t-h motor performance—
stops stalls, stops sputter, stops trouble.



It's a cinch to use. just pour!

it's a nifty, thr-r-iffy gift
for your car...

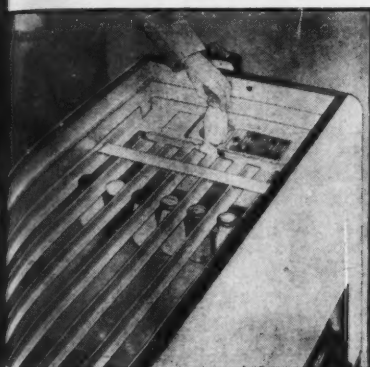


Your NOR'WAY dealer has new NOR'WAY
DRY-EX now. Get yours for a Bonnie
Christmas and a Happy New Year of driving

CSC

SPECIALTIES DIVISION COMMERCIAL SOLVENTS CORPORATION • 17 E. 42nd ST. NEW YORK 17, N. Y.

CIGARETTES: C-Eight goes electronic



BOTTLED MILK: Ideal Dispenser Co.

ushes a button for his choice of brand
ter inserting coins. These were first
developed by the Eastern Electric Vending
Machine Corp.; now, however, several of the big cigarette machine makers have them.

Operators at the show liked them
for top volume locations. But they cast
a leery eye at the price—slightly over
\$200 for the electrically run machines
compared with \$175 to \$180 for the
mechanical jobs.

New soft drink cup dispensers drew
a lot of attention chiefly because of their
variety. On display were both single-
flavor dispensers and those offering a
choice of two or three flavors, or a mix-
ture of any or all. Among the makers
are Drink-O-Mat Mfg. Co., Spacarb,
Inc., and Supervend, Inc.

Such machines are popular in big in-
dustrial plants and theater lobbies be-
cause they do away with the empty
bottle problem. Newest cup dispensers
have a capacity of 750 to 1,000 cups,
range in price from \$750 to as high as
\$2,200.

Multiple selection vendors offer

The HIGHER you stack the LOWER your cost!

MOBILIFT



"Tiers to the Top"

Those upper levels of your storage space—are you taking full advantage of them? MOBILIFT's high lift elevator is designed to spot loads on the third or fourth tier as easily as at floor level—an advantage that cuts your costs in many ways.

- Makes overhead space productive.
- Eliminates back-breaking muscle methods.
- Lifts materials too heavy for hand stacking.
- Clears floor space for extra production.
- It's safer—it's faster—it's less expensive.

High stacking is only one of the many ways MOBILIFT can cut your storage and materials handling costs. Let one of our representatives show you how you can save with a MOBILIFT operation.



Sales Offices

58-15 35th Ave.,
Long Island City, N.Y.

2430 South Parkway,
Chicago 16, Illinois

1113 Spring Street N.W.,
Atlanta, Georgia

725 Second St.,
San Francisco 7, Calif.

MOBILIFT

Moves Materials like a Giant!

MOBILIFT CORPORATION, 835 S. E. Main Street, Portland 14, Oregon

candy, nuts, gum, and cigarettes, drew the interest of candy machine operators especially. Makers of such machines include Stoner Mfg. Co.'s Venditor (selling items from 5¢ to 20¢); American Vending Corp.'s Vendit (with 50 different kinds of candy bars for the purchaser to choose from); and Coca-Cola Mfg. Co.'s U-Select-It.

The Canteen Grill was one of the most talked-of machines at the show. Made by Automatic Canteen Co., an operator of vending machines for industrial plants and offices, it cooks hot dogs and cheese sandwiches electronically. It is now in operation in test locations. The company believes it is suitable for plants too small to have cafeterias.

Other new machines at the show included: two new hot coffee vendors; improved bottled milk vendors, a machine designed by Lehigh Foundries to sell nylons at \$1, with a choice of two colors and five sizes.

● **Mud Puddles**—But the road toward push-button age is full of many mud puddles. For example, the cigarette vending machine operators complain about ever-changing state and local cigarette taxes, requiring that different amounts of change be put in the package. And spots where the new taxes boost the price to 21¢ a package are the biggest headaches. Operators say that it's impossible to put four pennies into a package.

In the cup-dispensing field, also, there is a big controversy raging over plans of the big soft drink manufacturers to go into bottle and cup vending through their franchise bottlers. This would hit the independent machine operators who want to install selective multi-flavor vendors. A successful operator of cup-vending machines must have at least 100 vendors set up in favorable locations in order to be able to do a profitable business. That means that he needs a capital investment of near \$150,000.

How successful cup dispensers can be, however, is shown by the operation of Pepsi-Cola's machine in a Detroit bus terminal. It averages 900 cups a day (800 a week is considered profitable). And with each cup dispensed, the machine plays Pepsi Cola's famed radio commercial.

● **Visions**—Regardless of the drawbacks, visions of sugar plums danced in industry heads this week. They believe the coin machines will supplement cashiers and grocery clerks, while eventually there will be coin-operated drive-in along the highways of the United States. The motorist of the future will then be able to drive into a gas station at night, put coins in the gas pump to fill his tank, and then put more coins in food and beverage machines to fill his stomach.



AUDIENCE reaction tests provide CBS with clues to a new program's success . . .



RESULTS show that programers and public frequently disagree on a show's merit

Testing Audience Reaction

Radio shows are tried out on selected groups of listeners before programs go on the air. Magazine, newspaper advertisers now beginning to pretest their copy before publication.

Program tests that yield graphs like the one above are intriguing radio-show producers these days. The graph lines show how audiences react to the programs—in "dry runs" before the shows really hit the air. The charts are made up from figures that tell listener response to the longest joke in the script or to the shortest adjective in the commercial.

The procedure is called pretesting. Radio isn't the only media using it. The movies have been pretesting for about ten years. And recently magazine and newspaper advertisers have begun to try their copy out on carefully selected groups before placing it in a publication.

For all groups the objective is the

same: Find the customer's funnybone—then tickle it hard.

• **Argument**—Critics of pretesting contend that it frequently stifles originality and artistry. Many advertisers, on the other hand, believe that the procedure helps to create the kind of appeal that brings shiny new coins into the till.

In New York City, Columbia Broadcasting System, Audience Research, Inc., and Schwerin Research Corp. bulk large among the companies engaged in button-punching, dial-twisting, questioning to gauge program appeal. In Chicago the firm of Gilliland, Ranssen, Wesley & Ragan, Inc., is attracting advertisers' attention with a measuring device out of the psychology lab.

The systems used by Schwerin, Audi-



ELECTRONIC AMPLICALL Intercommunication Wins Business Acclaim

Businesses everywhere, large and small alike, applaud the new AMPLICALL. It's today's indispensable business tool—the fast-action, completely dependable speech system that makes every business minute count! Offers unlimited facilities for two-way and multi-station conferences within and between all departments. Simple, sure operation; "clear as life" voice quality; beautiful design. Exclusive features, such as busy signal, plug-in Masters, and privacy handset, make AMPLICALL the intercommunication favorite in both office and plant. Put the new AMPLICALL to work in *your* business—you'll wonder how you ever got along without it!

There is an AMPLICALL System available to fit the special needs of your business. Get the full details on America's most wanted Communication Systems, used by leading businesses everywhere.



See Systems (cont'd)
UNIFICATION SYSTEMS

Electronic
initial-
8 sys-
-ories
-installations, general business,
-installations in daily use. Engi-
-requirements. Expert survey and

WHERE TO BUY IT"

See Your Phone Book

For your nearest AMPLICALL specialist, look in the "Intercommunication" section of your classified directory, or write direct to the Rauland Corp., Chicago, Illinois.

..... **Rauland**

THE RAULAND CORPORATION
4249 N. Knox Ave., Chicago 41, Illinois

☐ Send complete details on the New AMPLICALL

☐ Send your representative. No obligation.

Name.....

Company.....

Address.....

City.....State.....

NEW FREE PORTFOLIO TELLS

How to get the most out of Air Mail

Getting the most out of air mail calls for a clear-cut system—a when-to-use policy that covers all outgoing mail. To give you a hand in setting up a streamlined Air Mail plan in your own business, U.S.E. has put together a fact-packed portfolio that makes good reading. This U.S.E. business-aid reflects two of the Company's constant aims—to turn out quality envelopes for each and every mailing job and to help users get the most out of every envelope. Ask your printer for your free copy of "How to Put Air Mail to Work"... get him to show you the U.S.E. line the next time you're ready to order envelopes.



UNITED STATES ENVELOPE COMPANY
General Offices: Springfield 2, Massachusetts
DIVISIONS FROM COAST TO COAST

Envelopes • Transparent Packages • Paper Drinking Cups and Dispensers
Announcement and Correspondence Papers • Converting and Printing of
Specialty Papers • Columbian Clasp and Specialties



WHEN SHOULD YOU USE AIR MAIL?

Condensed from new U.S.E. Portfolio



Good rail service in all directions. Surface mail delivered next day at distances up to 200 miles. Air Mail should be used outside this radius.



Good rail service North and South up to 200 miles. Next-day delivery on East and West surface mail confined to 50-mile limit. Beyond 200 miles North and South, 50 miles East and West, Air Mail should be used.



Coastal city with no domestic mail going West. Surface mail gets 24-hour delivery within 100 miles North and South, 200 miles East. Beyond these limits, Air Mail should be used.

"How to Put Air Mail to Work" is full of valuable information—foreign postage rates, a work sheet of two-color electros for converting regular stationery to Air Mail, a U. S. Air Mail route map, helpful case histories, letterheads and sample Air Mail envelopes. Get your free copy from your printer.

© 1947. U.S.E. CO.

E-10

ence Research, and CBS contain certain elements of similarity. All three try out programs on a preselected audience, record their reactions. For participation in the test, each person receives some small gift or favor. The main differences are in the methods of recording the reactions and in the size of the sample used.

• **The Schwerin System**—Schwerin's radio tests start with selection of the audience (BW—Sep. 21 '46, p. 74). Spot radio announcements, card handouts in the New York subways, and direct mail let the public know that the company is planning to conduct tests. After each respondent has mailed in the answers to a short questionnaire, the company picks its audience, mails out enough tickets to insure an audience of 250 to 350 persons.

In the studio the audience fills out an amplifying questionnaire and the transcribed show begins. At various "reaction points" during the broadcast the audience is asked to mark at the proper place on a sheet of paper whether they think that part of the show is "good," "fair," or "poor."

Listeners are questioned again after the program, and the results of the entire test are tabulated. Schwerin's client then receives a "profile" of the total reaction to the program; this consists of a graph showing audience acceptance of the show, minute by minute. When desired, "profiles" of specific age, sex, income, or educational groups are made separately.

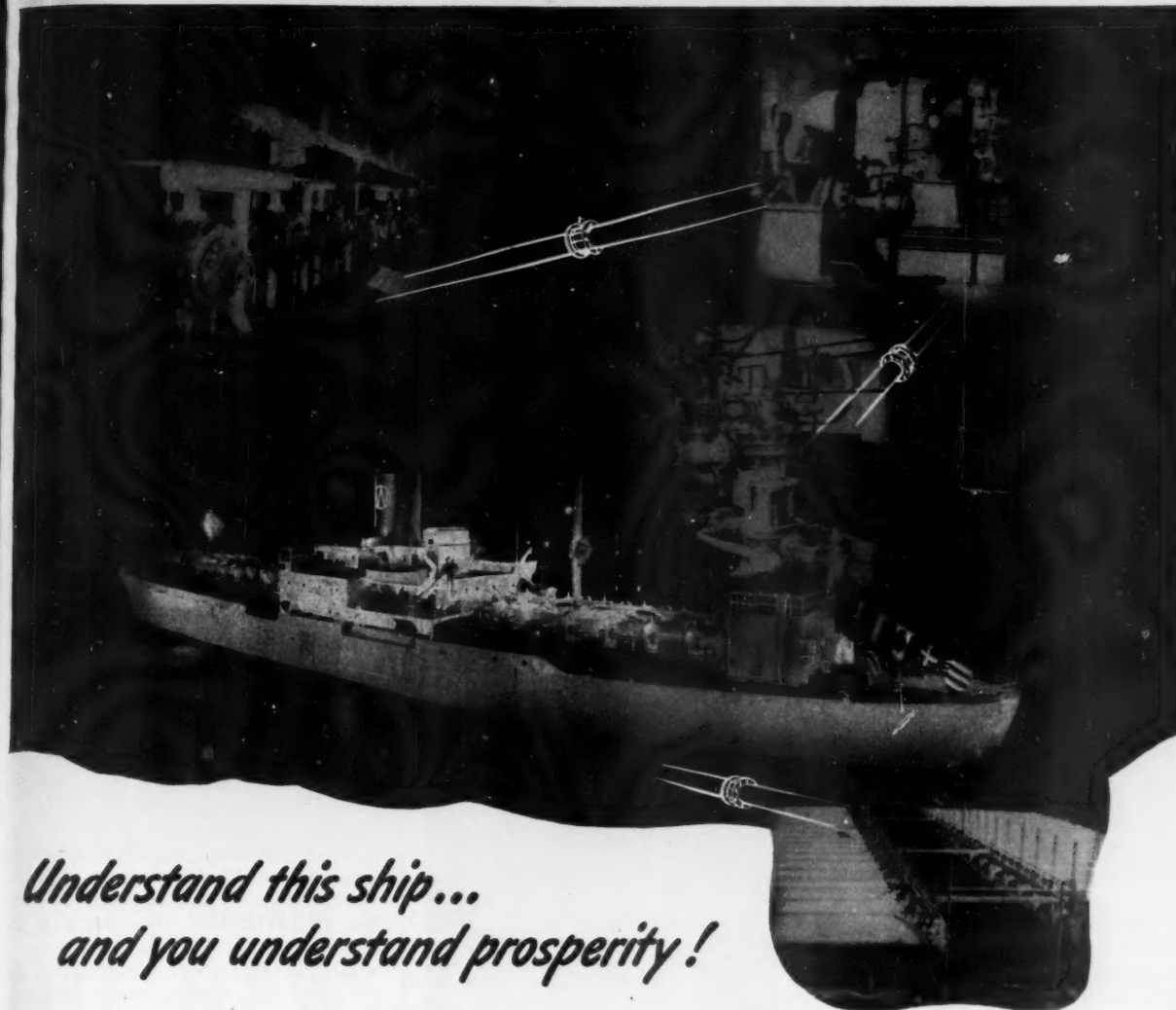
For testing a 15-minute program with two different audiences, Schwerin charges \$1,100. For a 30-minute program the cost is \$1,200. National Broadcasting Co. accounts for about 40% of Schwerin's business.

• **The CBS Technique**—Columbia Broadcasting System does its program pretesting with a machine developed by Paul Lazarsfeld of Columbia University and CBS president Frank Stanton. Called the Program Analyzer, the machine tests 15-20 persons per session. CBS conducts enough tests to get a sample of about 70-100 persons.

Each person gets two pushbuttons. Pressing one button expresses enjoyment, the other, boredom.

The listeners' reactions are transmitted to the main body of the machine; there styluses record results either individually or collectively. Before and after the show a psychologist conducts detailed interviews.

Rates are \$500 for a 15-minute test with composite results; \$750 for a 30-minute show. Individual-result rates are \$750 for a 15-minute show, \$1,000 for 30 minutes. About 90% of the work is done by CBS for CBS, 10% for advertisers and agencies. McCann-Erickson, New York advertising agency, also operates a Program Analyzer under li-



*Understand this ship...
and you understand prosperity!*

• Warren Petroleum Corporation is the first company to ship very elusive, liquefied propane gas by sea. They engineered with pinpoint safety a freighter to store 68 pressure tanks, some 50 feet long, some almost 13 feet in diameter, carrying 33,000 barrels of dynamic propane from Texas. This will ease gas shortage in east coast homes.

The Warren ship will reduce freight costs, stimulating sales of propane, calling for more Clark refinery compressors to make more propane, more Pacific pumps along the pipe line, more Pacific pumps aboard ship for loading and more of Stacey-Dresser Engineering's vast Liquid Petroleum Gas Plants for storage at the cities. With more gas, come more Bryant furnaces and consequent demand for still more propane. And on we go. Sales at either end build sales throughout such a well-integrated group of companies as Dresser Industries. This same way, prosperity or depression, in any part of our economically linked-up world, spreads itself throughout.

THE ONLY COMPANY DOING AN OVER-ALL JOB—

*from well to refinery for the Oil Industry—
from source to home appliance for the Gas Industry*

BOVAIRD & SEYFANG Mfg. Co.
Bradford, Pa.

BRYANT Heater Company
Cleveland, Ohio; Tyler, Texas

CLARK Bros. Co., Inc.
Olean, New York

DAY & NIGHT Mfg. Co.
Monrovia, Calif.

DRESSER Mfg. Division
Bradford, Pa.

DRESSER Mfg. Company, Limited
Toronto, Ont., Canada

INTERNATIONAL Derrick & Equipment Co.,
Columbus, Marietta & Delaware, Ohio;
Beaumont, Texas; Torrance, Calif.

KOBE, Inc.
Huntington Park, Calif.

PACIFIC Pumps, Inc.
Huntington Park, Calif.

PAYNE Furnace Co.
Beverly Hills, Calif.

ROOTS-CONNERSVILLE Blower Corp.
Connorsville, Ind.

SECURITY Engineering Co., Inc.
Whittier, Calif.

STACEY BROS. Gas Construction Company
Cincinnati, Ohio
Stacey-Dresser Engineering Division
Cleveland, Ohio

DRESSER
INDUSTRIES, INC.

TERMINAL TOWER • CLEVELAND 13, OHIO

SAVES

on carload shipping of low-priced product

\$7 to \$8 less cost per car ... perfect arrival condition ... when asphalt products are shipped from New Jersey to Detroit with Acme Unit-Load method



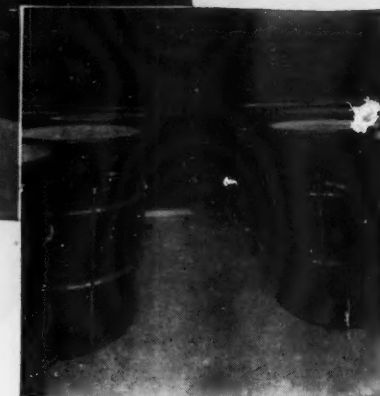
The Flintkote Company ships thousands of cars of asphalt products from its New Jersey plant alone. Even a small saving in shipping cost would materially increase profits on large-volume, low-priced items.

Acme Shipping Specialists suggested the use of the Acme Unit-Load method to brace the load in the freight cars. This eliminated the use of costly lumber dunnage, reduced labor time, and saved the shipper \$7 to \$8 on every carload.

Can you use help?

You, too, may have a shipping situation which could be improved. Why not ask an Acme Shipping Specialist to consult with your firm? There is no obligation.

Write or mail the coupon for actual case histories explaining how Acme has saved money in shipping practices for many industries.



55-gallon drums of asphalt products are loaded like this. Simplified methods of stowing and bracing and use of Acme Unit-Load Bands and Stays eliminate dunnage, reduce cost by \$7 to \$8 per car.

MAIL THIS COUPON TODAY

Acme Steel Company, Dept. BW-127
2838 Archer Avenue
Chicago 8, Illinois

Gentlemen:

Send me a copy of your case history booklet, "SAVINGS IN SHIPPING."

Name

Company

Address

City Zone State

ACME STEEL COMPANY

**ACME STEEL CO.
CHICAGO**

NEW YORK 7

ATLANTA

CHICAGO 8

LOS ANGELES 11

cense from Lazarsfeld and Stanton.
• **Another Machine**—Audience Research, Inc., uses a device known as the Hopkins Televote Machine to tell what its subjects are thinking. Each person being tested has a dial with markings ranging from "very dull" to "like very much." After the customary questionnaire, the show goes on. Results are transmitted to a machine, which provides a composite profile. A test usually includes at least 120 persons.

The rates for a Televote analysis are \$500 per test, with a minimum of two tests to be conducted.

Audience Research pretests network listenership by giving the program a tryout in a "Gallup Radio Test Town." Shows are aired over independent stations, followed up by interviews to determine audience reaction.

• **Gaging Copy Appeals**—The field of pretesting printed matter is not so well organized as radio pretesting.

Dr. George Gallup's Audience Research, Inc., has announced plans to publish Impact, a magazine to be used exclusively for test runs of ad copy.

Also, Gilliland, Ranseen, Wesley & Ragan, Inc., uses a machine called the Electropsychograph to measure audience reaction to advertising copy (and radio commercials). The machine is a first cousin of the lie detector. It measures tiny changes, caused by emotional reaction, in the sweat glands of the palm of the hand. To check ad copy, Gilliland uses 25 subjects; each is tested individually. If a breakdown by sex, age, etc., is desired, the sample is increased to 40 or 50.

• **Method**—Electrodes are strapped to the palm and forearm of the subject. Then the advertisement to be tested is displayed, or the radio commercial played by phonograph. The sweatgland reactions are recorded automatically on a moving chart.

Of course, pleasure and distaste give the same reading on the chart. Therefore it is necessary to combine the machine test with competent after-test interviewing.

Present charges are \$600 for a test of four ads, using a sample audience of 25 persons.

BLOOMINGDALE'S EXPANDS

Bloomingdale's, New York department store unit of Federated Department Stores, Inc., is expanding. It plans to buy Ware's department store in New Rochelle, Westchester suburb of the city. Ware's, largest department store in the county, will gross about \$5-million this year. This is the second step in a suburban expansion program recently announced by Bloomingdale's president, James S. Schoff. The company also plans to build a branch store in Fresh Meadows, N. Y.



BUSINESS WEEK REPORTS TO EXECUTIVES ON —

THE NEW AMERICAN MARKET

In seven preceding articles, all regions of the nation were appraised independently as markets.

Now, Business Week presents a national summary of the U.S. market. How regions are alike and how they are different is detailed and explained.

When the regions are knit together, they form the 1947 marketing pattern—a far different one from the market composition of 1939 just before the war reshaped our economic geography.

NO. 8 THE NATION



All of the major regions of the United States shared in a rising level of business activity in 1947. Almost everywhere you looked you saw the signs of better times.

Shoppers were whirling the revolving doors of the department stores a little faster to get inside and spend. Workmen were hurrying away from factories and mines to spend an extra dollar or two on their way home. Farmers were thumbing through the mail-order catalogs

and making up bigger orders. Women were grabbing dresses off the display racks in specialty shops and jamming the appointment pads of beauty parlors. It was plain to see that dollars of purchasing power were nearly choking the arteries of trade.

And the figures—the cold statistics—support this surface observation. In the grand sweep of the continent from new England to the Pacific Coast, the statistical markers all carry plus signs (cover chart).

Who could suffer or be wrong when the upward rush of business was almost a tidal wave? Well, a lot of people could be. And some were.

Not every village and city was in on the boom. There were some places where strange combinations of circumstances made a backwash which was too much for the general trend. Not every business establishment was making money. Some entrepreneurs even had to close up shop. Not every farmer had good crops. Some were washed out by floods.

Even businessmen of long standing were not able to gage the action of the market place. When Business Week surveyed the nation, region by region, a cross-

Business Week asked management leaders in each region this question:

"Do you think business in your region will outdo the U. S. in 1947 compared with 1946?"

Their answers appeared in each regional report. Here we show whether most business men thought their region's gain this year would be above or below the U. S. average. Alongside we show whether each region's income gain for the first half of 1947 was above or below the national increase.

	Forecast	Result
FAR WEST	Above	Below
GREAT LAKES	Above	Above
MIDDLE ATLANTIC	Below	Below
SOUTHWEST	Above	Below
NEW ENGLAND	Below	Below
FARM WEST	Above	Above
SOUTHEAST	Above	Below

First-half income comparisons are probably indicative for the whole year. It appears that regional leaders were right in four of their forecasts and wrong in three. Final returns for the full year may change that score slightly.

Data: Business Week.

©BUSINESS WEEK

FORECASTS—AND RESULTS

section of business was questionnaired and surveyed. Their replies formed composite opinions on the business outlook for their regions (see tabulation above).

In the Southeast, the businessmen's forecast was off the beam. Business (measured by first six months' income) this year did not gain as much in the South as in the nation generally. Its increase in income was the lowest of all regions—only 6.2% vs. 9.4% for the U. S. Yet of all the Southern businessmen questioned, 85% thought their region would outdo the U. S. this year compared with 1946.

Businessmen in the Far West and the Southwest were likewise overoptimistic. Income in both regions missed the U. S. average by a much smaller margin, but businessmen were very sure their sections would do better.

Or take New England as a different example. Income rose only 7.8% over 1946—1.6% short of the U. S. gain.

And 71% of the executives answered that business would not match U. S. increases this year. Actually, their near unanimity on that score painted a blacker picture of New England than its performance warranted.

Businessmen in the Middle Atlantic states scored about the same as their neighbors to the northeast.

The only regions where businessmen correctly estimated their region would do better than the nation were the Great Lakes and Farm West.

Of course, it must be admitted that the margin of error was not too great in any case. There was not a great deal of spread in 1947 income gains; the lowest was 6.2% and the highest was 13.3%. So it was not too easy to forecast within a few percentage points.

But, on the other hand, this checkup on forecasting does show that opinion is no substitute for facts. It would be a marketing nightmare if decisions had to be made exclusively on what even the best-informed people only thought had happened or would happen.

The rather narrow range of differences among the seven regions when 1947 is compared with 1946 emphasizes another point: The bigger, deeper changes since prewar days had occurred already. Those are the changes that took place between 1939 and 1946. Those are the changes that were analyzed in the regional reports. Those are the changes which need to be re-examined and summarized in order to get a solid picture of the new market.

THE MARKET—OLD & NEW

First of all, how big was the national market in 1939? The U. S. had a population of 130.9-million; national income amounted to \$70.6-billion; retail sales were running at a \$42-billion rate; and \$539 represented the average income per person.

From the manufacturer on down through the chain of distribution to the final point of sale the market was known and familiar.

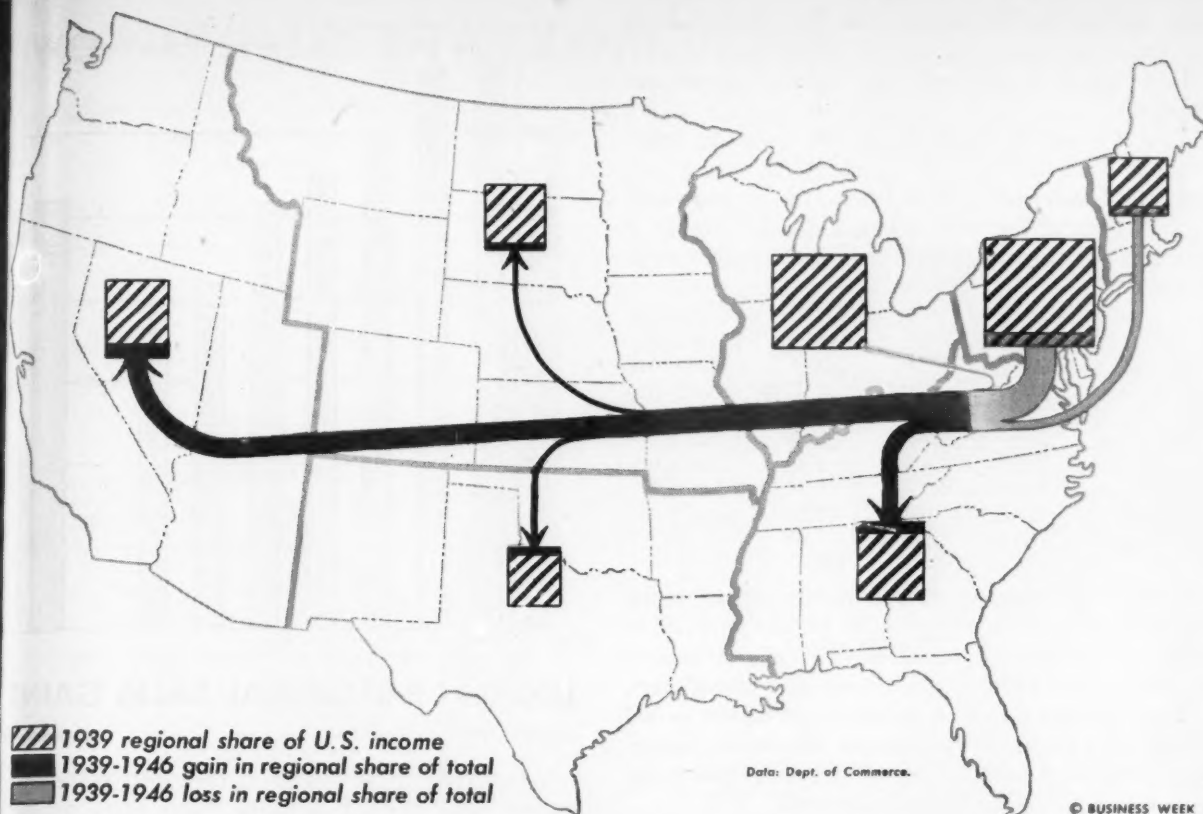
The 1939 Census of Manufacturers gave marketers more up-to-date information and the 1940 population census added to their knowledge.

As the wars in Europe and Asia progressed, the U. S. became the arsenal of democracy. A different emphasis was placed on manufacturing. Machine-tool plants started round-the-clock operations; soon aircraft plants began to expand; shipyards stepped up building programs.

By the time the U. S. became an active participant in the world conflict, the national tempo had increased considerably. And, as the war wore on, more and more changes came. Production of many civilian items was stopped; output of thousands of others was curtailed. Labor migrated to new war jobs. Twelve million men went into the armed forces. Prices and wages went up.

All of these changes affected marketing. So, when the war ended and industrial reconversion got under way, there was a new American market to learn about and to explore.

For the first time in history, the New American market



INCOME FLOW MAKES THE NEW AMERICAN MARKET

West and South increase their shares of total U.S. income between 1939 and 1946

is close to being a real national market. No longer is it a cluster of regional markets. It is both larger and more homogeneous than ever. It is a broader national market.

There are a dozen ways in which to see this fact statistically. There are 140-million ways in which to see it humanly, in life.

Luxury goods are distributed widely today in cities which New York's sophisticates still can't think of as civilized. Today Foley's in Houston or Neiman-Marcus in Dallas, for example, compare favorably with such name department stores as Chicago's Marshall Field or Boston's Filene's. They are even newer, more efficient, and more luxurious in appointments and facilities. They certainly sell the same sorts and quality of merchandise.

Again, farmers' wives now go shopping for the kind of high-style apparel that before only suburban housewives could afford. A Sears, Roebuck store in Kansas City, Kan., now has August sales of fur coats just like the metropolitan stores in New York and Chicago.

Workers in formerly poor mill towns now support movie houses and supermarkets and appliance shops that once were hallmarks only of prosperous high-wage centers of the northeast and midwest.

Housewives of the South lost their laundresses and joined the ranks of buyers of automatic washers.

Factory smokestacks now dot landscapes that used to be barren of all but white cotton bolls or waving wheat.

Now, you can run along the Pacific or Gulf coasts,

and get the feeling of teeming urban metropolises. In older days, they were characteristic solely of the Lake Shore or the Atlantic seaboard.

You see mansions today and fine homes and masses of motor cars and signs of wealth all over America. They are no longer only in rich old centers or a few climatologically suitable playgrounds.

Once you could set up shop and beam your sales to the northeast market heart of America. You looked upon the rest of the country as just so many colonial export markets that could be tapped to build up volume. But that is no more. Now American business confronts a New American Market that is more than ever a national market.

Income Flow

The most fundamental change had occurred in the pattern of national income. The income flow map (above) best summarizes the big regional shifts in income between 1939 and 1946.

Here you see how much the regions of the South and the West grew as income recipients. Here you see how much the regions of the Northeast shrank as income recipients. That is, of course, on a relative basis.

In other words, the South and West by 1946 were accounting for larger shares of the total national income while the New England and Middle Atlantic regions

were holding smaller shares. The Great Lakes region was just about holding its own.

How much exactly did the regional proportions change?

You can read the answers from the following table. It shows, first, how regional income gains differed on a percentage basis from 1939 to 1946. Then it shows each region's share of the total, before and after. Finally, it measures the percentage change in each region's share of the total.

	Percent Increase 1939-1946	Percent of U. S. Total		Percent Change 1939-1946
		1939	1946	
Far West.....	195	10.50%	12.91%	+23.0%
Mid Atlantic....	110	31.26	27.38	-12.4
Great Lakes....	138	22.23	22.08	- 0.7
Southwest	156	6.85	7.32	+ 6.9
Farm West	150	9.97	10.39	+ 4.2
Southeast	178	11.08	12.84	+15.9
New England ..	109	8.11	7.08	-12.7
U. S.	140	100	100	

Over-all, the four southern and western regions, which had climbed from 35.8% of U.S. income in 1929 to 38.4% in 1939, moved up again to 43.3% of gross income in 1946—and to 44.3% of net income after federal taxes.

These shifts in income occurred in a seven-year period loaded with economic dislocations, distortions, expansions, and contractions. With all of this economic upheaval, there was a big boom in business.

Sales Shifts

As incomes rose, sales climbed too.

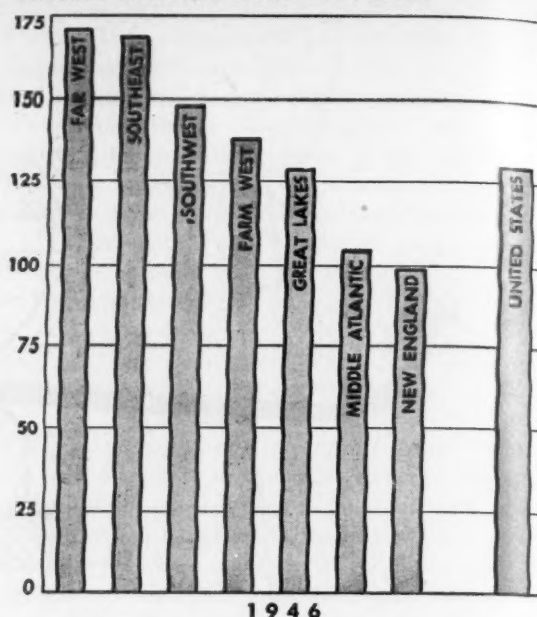
But, because some regions did better incomewise than others, they also did better from a sales standpoint. And the faster gainers as a result wound up with larger shares of total sales.

The Far West, for example, had an increase of 172% in retail sales along with a 195% income advance. Consequently, its share of U.S. sales, which was 11.6% in 1939, moved up to 13.7% in 1946. Actually, the Far West gets a bigger cut of U.S. sales than of U.S. income. This is due partly to spending of outsiders—tourists mostly—within the area. It is also partly accounted for by spending on gasoline and autos for transportation, for example. Elsewhere more of that spending goes into train and bus fares which are not classed as retail sales.

The Middle Atlantic region is a contrary example. Its income increase was 110% and its sales increase was 104%. In 1939, this region accounted for 31.3% of national income; by 1946, it had slipped to 27.4%. At about the same ratio, the Middle Atlantic share of U.S. sales moved downward from 27.2% to 24.1%. Less of each income dollar is spent here for several reasons: Federal taxes take a bigger bite out of this region's income; high taxes are accompanied by higher savings rates; and more is spent on rent, transportation, and services.

One fact must not be lost sight of. A region making a bigger percentage gain than another does not mean that one has been displaced by the other as an important marketing area.

Percent Increase Over 1939 = 100



LINING UP REGIONAL SALES GAINS

Data: Business Week

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When you list the regions in the order of their percentage gains in retail sales (see chart), these are their relative positions: Far West (172%); Southeast (169%); Southwest (149%); Farm West (138%); Great Lakes (129%); Mid-Atlantic (104%); and New England (99%).

But, when you list the regions according to the comparative size of dollar volume of sales in 1946, you see that this is the order of their importance: Mid-Atlantic (\$23.3-billion); Great Lakes (\$21.2-billion); Southeast (\$13.6-billion); Far West (\$13.2-billion); Farm West (\$11.6-billion); Southeast (\$8.0-billion); and New England (\$6.6-billion).

BEHIND THE CHANGES

The marketing changes during the war and postwar years were marked by several significant trends.

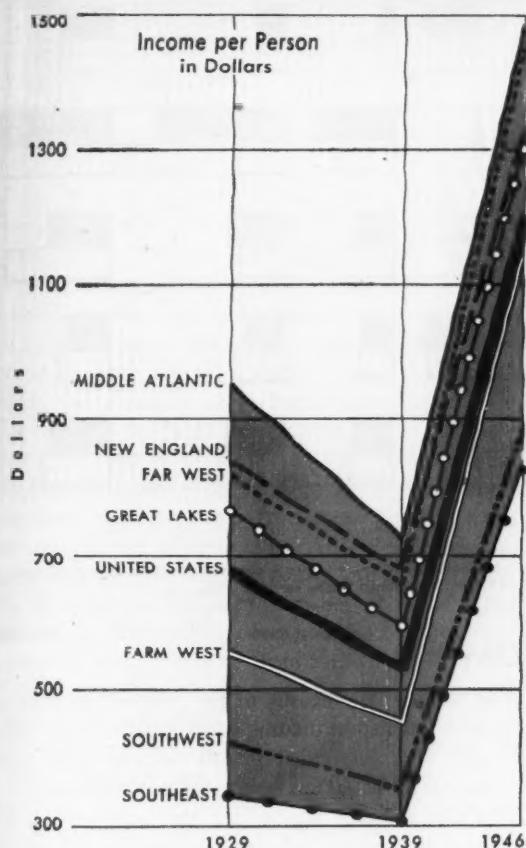
Probably the most basic was the accelerated trend toward a more urban population. The shift from farm to city is not new. But at times it moves at a snail's pace or even reverses itself. From 1939 to 1946, it was speeding along. It swept Texas, for example, into the list of states having larger urban than rural populations.

Two main reasons for the rural-urban shift are:

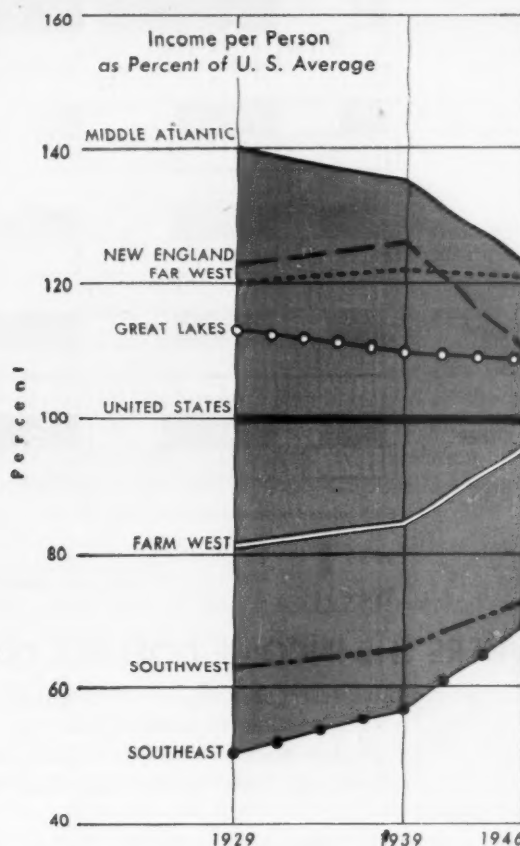
(1) *The rise in factory jobs.* War industries first provided the suction force to draw farmhands and owners into cities. As industrial reconversion got under way and full employment became a peacetime reality, there were more jobs to be filled. The cities' labor force could not supply enough workers. So the rural areas became hunting grounds for new employees.

(2) *The farm revolution.* Mechanization of farming is making big progress. By 1946, 34% of all U.S. farms

TWO-WAY SPREAD ON PER CAPITA INCOME



Dollar spread widens . .



But percentage spread narrows.

Data: Dept. of Commerce

© BUSINESS WEEK

had tractors on them. The farm revolution took hold in the corn and wheat belts first. It has much room in which to spread. Mechanization means less need for workers on farms. So, this promotes the drift to cities.

Another major trend is **industrial decentralization**. It is cutting down on the relative industrial importance of older regions of the U.S. Newer regions are gaining industrially. The Far West and the South are moving up most rapidly. General Motors and General Electric are two of the many companies spotting new plants all over the map. An additional marketing point about industrial decentralization is that more and more plants are being placed in smaller sized cities. This means that smaller cities are becoming larger markets with more employment providing more purchasing power.

At the same time, the depopulated farm areas have moved up on the income scale. Farm receipts have outstripped city dwellers' incomes.

Two similar trends affecting marketing lie in the field of wages.

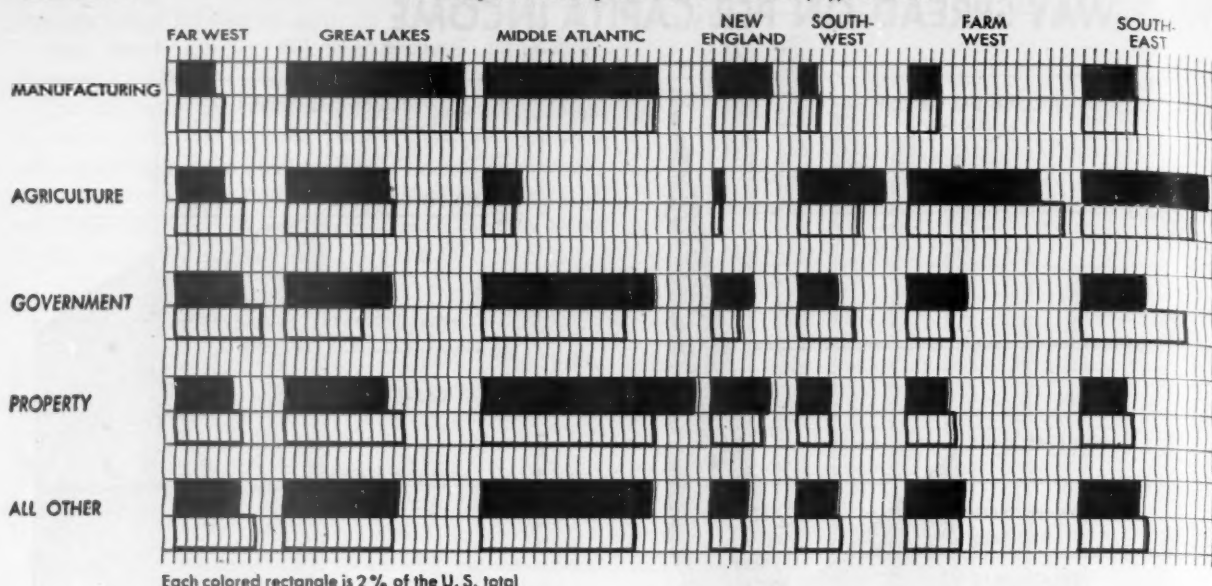
One is the catching up of wages in soft goods lines with those in hard goods lines. As a result, the heavy

goods centers formerly classed as high wage areas are losing some of their relative importance as markets to soft goods centers formerly classed as low wage areas.

The other major wage trend is the **redistribution of income between salaried employees and wage earners**. The success of hourly wage employees in getting wage increases has given them a chance to gain ground on the white-collar class.

The New American Market as a whole grew mainly out of the big boost in income. The baby boom in wartime did push up the population figures a little faster than normal. So, the rise in per capita income was not so great percentagewise as the lift in total income.

A sensational gain in population was the main reason why the Far West changed so much. The Far West population rise has been pacing the field for several decades chiefly because the long-term trend of moving westward is still active. But the stepup in Far West population in the war period was also due to (1) the magnet of high wage employment in aircraft plants and shipyards, and (2) the huge military forces trained and stationed in the area.



Each colored rectangle is 2% of the U. S. total

1939

1946

* Manufacturing: payrolls only; Government: civilian and military pay plus allotments; Agriculture: farm proprietors; Property: rents, dividends and interest; All Other: income from trades, services, utilities etc.

Data: Dept. of Commerce.

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WHERE THE INCOME DOLLARS COME FROM

Except for the Great Lakes region which gained 1% better than the 7% national population gain, the Far West was the chief drainer of population from other parts of the country. In seven years, it acquired 34% more people.

The Far West racked up the biggest gain in total income of all regions too. But this gain, diluted by the large population increase, resulted in a per capita income increase a shade under the national average gain.

The Southeast and Southwest regions made over-all gains in a marketing sense for a different reason. Both had population gains which were less than the national rate of increase. The Southwest population growth was 4%; the Southeast growth was 3%. But both had increases in total income above the national increment. The Southeast recorded a 178% increase in all income; the Southwest showed a 156% total income expansion.

So, with less-than-average population gains and better-than-average total income gains, both southern territories registered very high per capita income increases. The Southeast, with a 170% rise in income per person, was at the top of the list of all regions. And the Southwest, with a 146% increase in per capita income, was in third place.

The region in between the two, as far as per capita income is concerned, was the Farm West. In its case, it rolled up a 150% increase in total income, less than either the Southeast or Southwest. But at the same time, it actually suffered a net population loss. So, when the total income increase is divided among a smaller number of people, the result is an unusually high increase in per capita income. The Farm West increase in this category is 153%.

The three older regions of the country wound up in 1946 with per capita income gains less than the national increase. This happened mainly because total income advances in all three ran below the national level.

The Great Lakes region did the best with a 138% total income increase, only two points under the national gain. It had, however, a slightly better than average population growth so its per capita income increase also was just under the U. S. enlargement.

New England and the Middle Atlantic had total income increases considerably below the average for the country. Because New England matched the nation's population growth, its per capita income increase (94%) was comparatively worse. The Mid-Atlantic region made a population gain about half that of the nation so its per capita income increase (104%) was better than New England's.

WHAT CAUSED CHANGES

Changes in income don't just happen. There are economic reasons for the income shifts. The three principal ones are (1) broad advances or declines in all types of income source, (2) extraordinary expansion or contraction in a particular income-producing category, and (3) gains or losses arising from a type of income which bulks large in the total.

The Far West makes the prime example of the first change. Income there expanded in every direction, and so did its share of U. S. totals (chart). And what seems like even a small increase in a region's share of the total can mean big things locally. For instance, the gain in factory payrolls appears small as a share of the total.

But it has changed the economic landscape of the West.

The Farm West, to take a second case, won almost all of its income gains from farming. It had a big share of farm income to start with. Farm income went up more than most types of income since 1939. And the Farm West's farm income grew even more rapidly, so its share of the farm total expanded. All this left other income changes there in the shade.

The two southern regions illustrate the third sort of change. And they almost duplicated each other in their experience. Both made substantial gains in governmental income, which went up a lot. Both nosed ahead a little in income from factory payrolls. And both lost ground on farm income—but only because U. S. farm income rose so much more than other types of income. Farm income in both regions gained a great deal; and farm income was a big factor in both regions' economies; so both regions benefited a lot from farm income even though their shares of the farm total were declining.

The Great Lakes, from 1939 to 1946, was losing a bit of its share of U. S. income from factory payrolls, government wages, and other income. And it succeeded in enlarging its share of total U. S. income generated in the fields of farm and property incomes. But the industrial character of the region is made clear by the high percentage of income derived from industry.

New England had a sliver chipped off its earlier share of each income source.

The Mid-Atlantic held its own in income from manufacturing payrolls and lost ground in the other four categories. The big chunk of property income always received in this region is a reason, of course, why its total income didn't go up more. Property income is always a slow mover either up or down. But in this period the region took two blows to its chin for it also lost a share of total U. S. property income.

Effects of a Boom

Now, if things had been more nearly normal as business rose from a low in 1939 to a high in 1946, you would expect certain things to happen. You would expect the regions of the northeast—New England and the Mid-Atlantic—to lag somewhat. For much of their income derives from property and "soft goods" manufacturing—income that does not fluctuate so violently from depression to prosperity as does, say, farm income or steel payrolls. But you would not expect them to slide off as much as they did. They did lose economic importance; for example, their share of all U. S. property income shrank from 50% to 41%. So the northeastern territories might snap back more. They could easily recoup some of their relative losses when a recession comes along.

You would also expect if the boom had been more normal that the Great Lakes would do better than average. But that didn't happen either. Because the Great Lakes only stood still, the region really experienced a comparative setback. Its heavy industries usually carry the region

to higher levels than the rest of the U. S. when business booms. Strikes held it back in 1946, so the 1947 gain in income was above average there. This year's gain makes up part of the comparative setback. But part is permanent. It would show up if the nation again went into a deep economic slump.

After observing how the national marketing map was undergoing a change, it is time to see what it looks like after the change.

First, how is the population dispersed?

The Mid-Atlantic area still had the largest number of people in 1946—31.4-million. And this position was retained despite a slower rate of growth in the war and postwar period. The Great Lakes was in second place both at the beginning and the end of the period. In 1946, it had a count of 28.5-million. The Southeast likewise maintained its position, still standing third on the population list. Its population count was 26.4-million last year. New England increased its population at the national rate of 7% and in 1946 had 9-million people in the area.

Those four regions which take in all of the land area east of the Mississippi River were inhabited by 95.3-million persons in 1946. This is 68% of the national population, roughly two-thirds of the population on one-third of the land.

The center of the nation's population is slowly moving westward. It is now in western Indiana and has one more state to cross to reach the Mississippi. The Farm West barely held its claim to first place of those regions west of the Mississippi. In 1946, its population was 15.2-million. The Far West and the Southwest traded places. The Far West is credited with 15.1-million in 1946 due to its rapid population rise, and the Southwest had 14.1-million last year.

Now, what about income?

The Middle Atlantic region still has the most income as well as the most people. It still holds title to the most concentrated market. Total income of the area was \$46.3-billion last year. Second place was held easily by the Great Lakes region. It had an income of \$37.3-billion in 1946.

The great upsurge of income there swept the Far West into third place. Last year's income total was \$21.8-billion. The Southeast moved back a notch to fourth place. Dixie's total income was \$21.7-billion in 1946. The Farm West is next with a 1946 income of \$17.6-billion. The Southwest passed up New England. Last year, New England's income was \$11.9-billion and the Southwest's was \$12.3-billion.

Finally, what about sales?

They follow income fairly closely. One big reason however why there is not a constant ratio between income and sales is the tax portion taken out of income. In 1946, 11% of total national income was siphoned off to pay taxes.

The Mid-Atlantic region is hardest hit, with so many high income people in the top brackets that the tax cut is 13.8% of income. In the Southwest, and the Farm West it is only 8.5% while in the Southeast it is only

A THREE-WAY BREAKDOWN OF REGIONS .



1946 increase above 1939

Data: Dept. of Commerce.

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DISTORTION MAP BASED ON 1946 POPULATION



1946 increase above 1939

Data: Dept. of Commerce.

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DISTORTION MAP BASED ON 1946 INCOME



1946 increase above 1939

Data: Business Week.

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DISTORTION MAP BASED ON 1946 RETAIL SALES

... by Population

The Far West was the outstanding gainer and the Farm West the only loser as a result of wartime and post-war population changes. As between the three northeast sections on the one side and the four regions of the south and the west on the other, however, the 1939-1946 shifts made little over-all change. The Northeast proportion of U. S. population drifted from 49.7% to 49.3% in those years, a loss of 0.4%. While the nation as a whole grew by 9-million people in that time, the Far West gained almost four million, the Great Lakes about two million, and the Middle Atlantic by about one million. Percentagewise, of course, all changes were small except that in the Far West.

... by Income

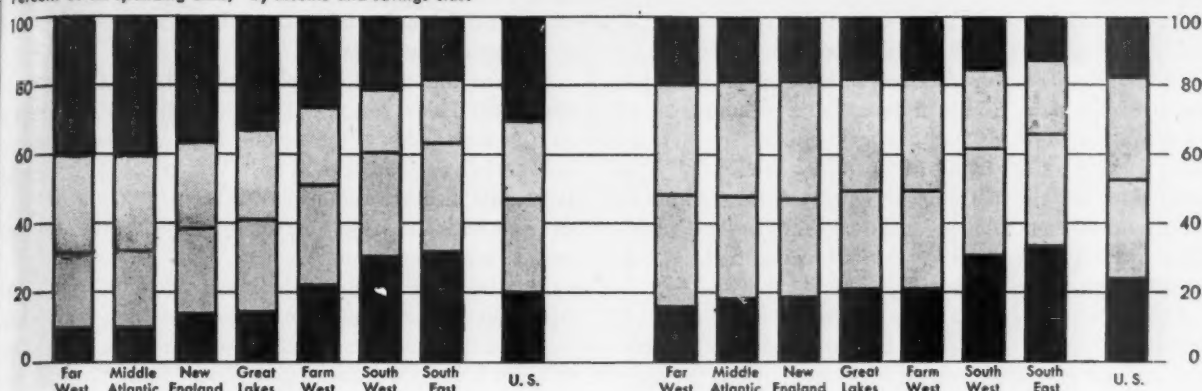
All over the nation the increase in income from 1939 to 1946 far exceeded the original 1939 total. So dollar-wise, every market grew substantially. But southern and western markets grew more than the northeastern. (The Great Lakes percentage increase was almost exactly the same as in the U. S.) Population fed the income gain in the Far West, but increases in per capita income were behind the rise in the other three regions. Those other three—Southeast, Southwest, and Farm West—started with below-average income per person so their share of U. S. income is smaller than their share of U. S. population (above). But the differences between regions in this respect are narrowing and income shares are moving closer to population shares.

... by Retail Sales

The regional sales map differs from the income map in one main respect: The Middle Atlantic share of U. S. sales is a good bit less than its share of national income, whereas the sales shares of the southern and western regions are greater than their income shares. New England and the Great Lakes have slightly smaller percentages of total retail sales than of income. Indeed, the four regions of the South and West accounted for 47.5% of U. S. 1946 retail sales—midway between their income share of 43.4% and their population share of 50.7%. As for the changes in shares of retail sales from 1939 to 1946, they in general follow the patterns already traced out for income: The South and West gained at the expense of the Northeast.

HOW FAMILY BUYING POWER VARIES AMONG REGIONS

Percent of all spending units,* by income and savings class



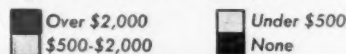
...By Incomes

...By Savings

1945 Money Income



Holdings of U. S. Bonds & Bank Deposits (end of 1945)



*Units in income classes and savings classes not necessarily same units: Some persons with large incomes have small savings, and vice versa

Date: Business Week

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74%. New England, the Far West, and Great Lakes are within a few decimal points of the national tax cut.

Another reason why sales and income diverge is the difference in savings habits. Areas that save more than the average, such as New England, naturally spend less.

A third reason is money spent elsewhere than earned. This is money of tourists, vacationers, and traveling businessmen which possibly benefits the Far West more than any other region.

The cold figures on sales demonstrate clearly that the market concentration is still in the Northeast. New England and the Mid-Atlantic region still make up about one-third of the U. S. market. If the Great Lakes region is added in, you have one contiguous, concentrated area well over one-half of the national market. The four other sections split the remainder among them.

Markets differ in quality too as well as quantity. Probably the best indicator of a quality market is the level of per capita income in that market. Over the years of the Twentieth Century so far, the percentage spread among the regions has been narrowing. In 1929, the range was 51% to 140% of the national average. In 1946, the variation was from 69% to 123% of the national average.

Measured in dollars, the 1929 range was from \$348 to \$954. Last year, the swing was from \$822 (Southeast) to \$1,478 (Mid-Atlantic). Other regions had these per capita income averages in 1946; Far West (\$1,146); New England (\$1,320); Great Lakes (\$1,310); Farm West (\$1,155) and Southwest (\$878).

Two auxiliary marketing points may be noted with reference to the grading of regions by per capita income: (1) There are more people with low incomes in low per capita areas and more rich markets in high per capita

areas; and (2) each income level is usually matched by a corresponding level of accumulated liquid savings.

However, there is not an exact parallel between per capita income and per capita sales. This is what happens, for example, when you measure sales per person in the various regions: the order is Far West, Farm West, Mid-Atlantic, Great Lakes, New England, Southwest, and Southeast.

SPLITTING THE REGIONS

Each region of the U. S. is made up of smaller geographical areas which are generally more than physical neighbors. As a rule, they have common characteristics. All states in the Farm West are primarily farm states. All states in the Great Lakes region are primarily industrial. Cities of one region are often quite similar. But there are many differences so it would be well to study the smaller marketing areas.

... By States

The individual states which made the best showing nationally are found in the regions which led the advances. States with largest income gains are in a few Far West, Farm West, and Southern states. The smallest income gains were in northeastern states. Population gains above the national average were almost all in the Far West with rare exceptions. And the most spectacular per capita income gains are in a few of the ex-dust bowl and ex-problem No. 1 states.

In the Farm West, four states were well above the regional showing on both total and per capita income

gains. They are the two Dakotas, Nebraska, and Kansas. The latter was the only one of the four not to lose population.

In the Southeast, Tennessee and Alabama ranked 1 and 2 for high income, both total and per person.

Florida stands out distinctively in this region. As a state south of the deep South, it bears little resemblance to its Dixie neighbors. It had a terrific population increase from 1939 to 1946 while most of the South failed to keep up with the nation. At the same time, Florida scored heavily on total income gain—190%—and maintained the highest actual per capita income in the South even though its percentage increase was the smallest.

Up in New England, three states—Maine, Vermont, and Rhode Island—did better than the region as a whole on total and per capita income. Connecticut was the only state to gain population, as well as income, at a faster rate than the whole of New England. Massachusetts, however, still led the region on total population and total income in 1946, trailing Connecticut on per capita income.

Arkansas and New Mexico made percentage increases which were higher than the Southwest regional gain in total and per capita income. Texas also did better than the entire region on total income gain and was the top gainer of population. And, on the 1946 results, the Lone Star state led in all departments by a wide margin in the Southwest.

In the Mid-Atlantic area, Maryland gained most percentage-wise in total income, was second to the District

of Columbia on population increase, and next to Pennsylvania on per capita income rise. New York held firm to its No. 1 position in the region and the nation on size of population and total income. Only Nevada surpassed it on per capita income.

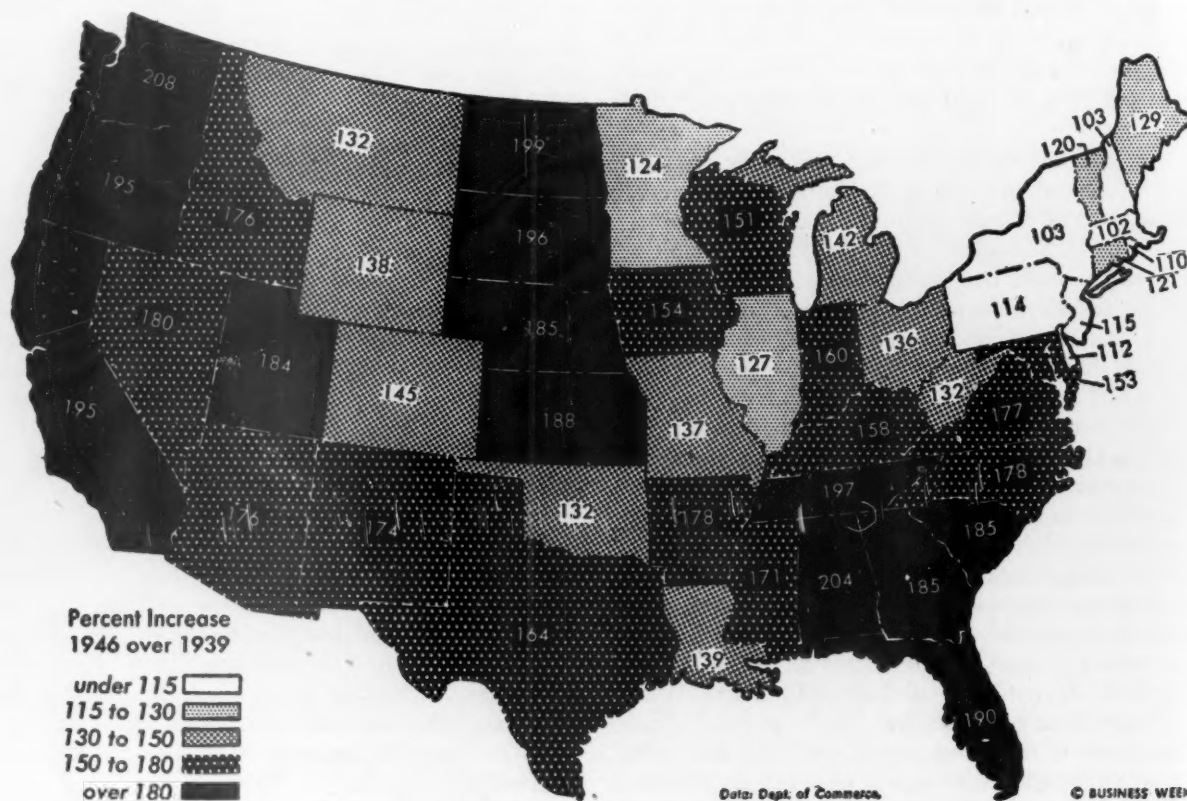
Indiana did well for itself comparatively speaking in the Great Lakes region. It had the highest percentage gain in total income, was second to Michigan in gaining population, and ran behind only Wisconsin on increased per capita income. Illinois, however, in 1946 was still out in front with the largest actual total income, income per person, and population.

Out in the Far West, the three Pacific Coast states made the best showings on percentage gains in population and total income. Washington, California, and Oregon ran 1, 2, 3 on total income gains while the order was California, Oregon, and Washington on population gains. Idaho and Utah pushed per capita incomes up at the fastest rate with Washington the only other state above the regional gain.

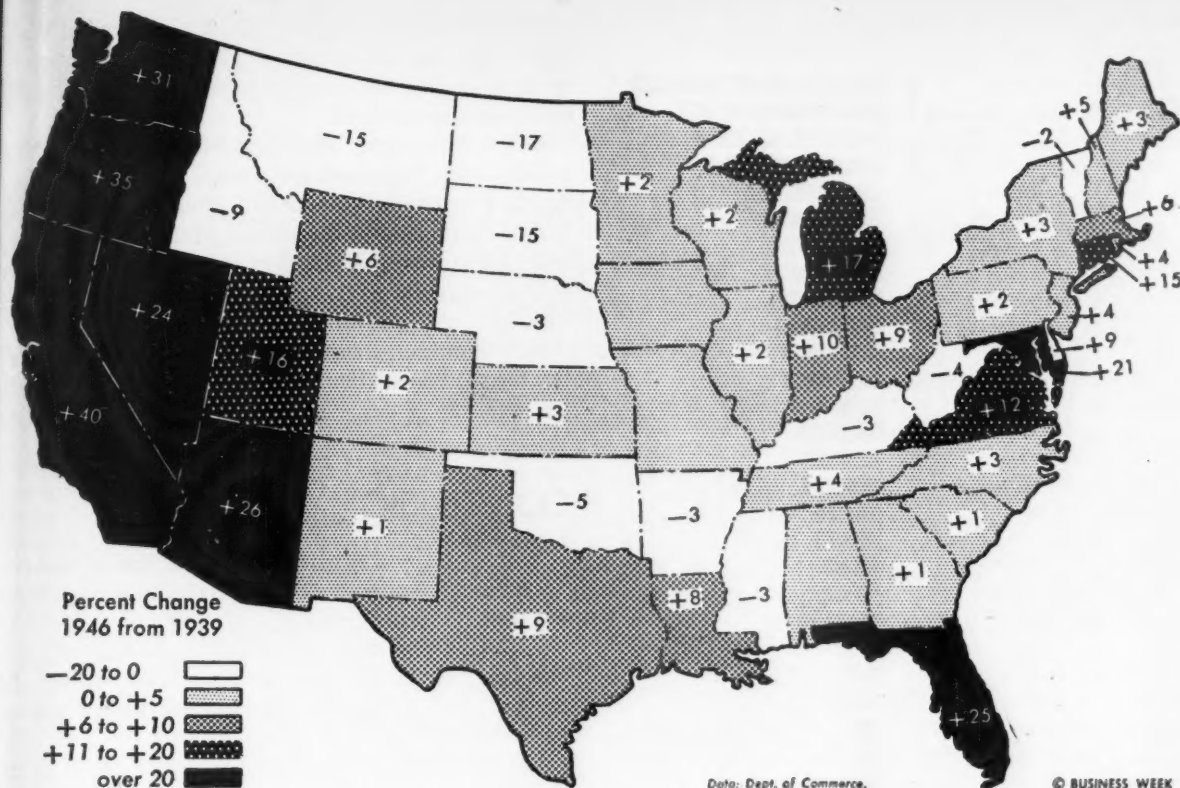
.... By Cities

One of the most significant trends in the 1939-46 period was a general rural-to-urban shift. Most cities had substantial increases in population.

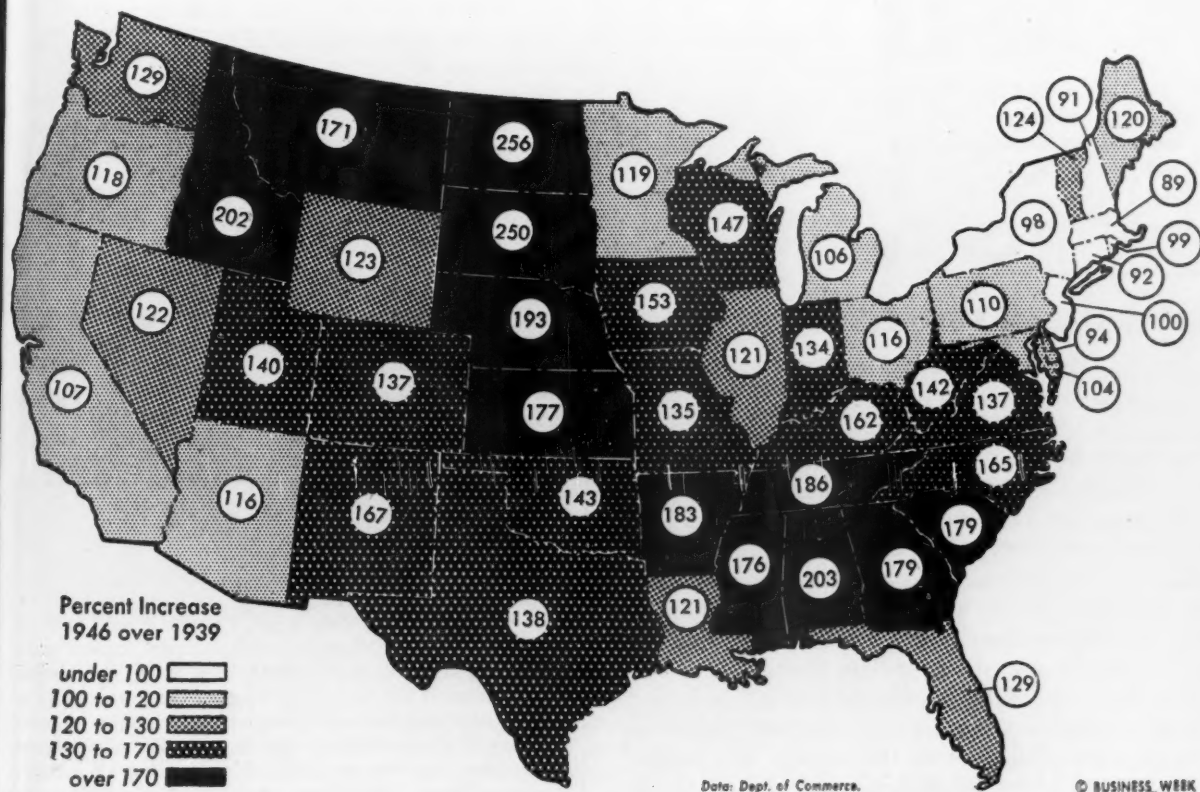
Some of the most outstanding ones were those in the Far West, where all population grew. Other impressive ones were in the farm areas where people were leaving the farms to seek employment in cities. Even cities in



1. HERE IS HOW THE WAR CHANGED STATE INCOMES...



2. AND HERE IS HOW THE WAR CHANGED STATE POPULATIONS...



3. SO HERE IS HOW PER CAPITA INCOMES CHANGED.



Note: Dept. of Commerce, Bus. Week

BIGGER URBAN MARKETS

other regions benefited from the farm to city migration in the agricultural areas for the local cities often did not offer enough attraction for those leaving the soil.

On the West Coast, the five major cities added population at an abnormal rate. San Diego had a 77% increase for the city itself while the San Diego metropolitan area was enlarged by 61%. The Portland-Vancouver metropolitan area was 49% larger in 1946 than it was in 1940. The San Francisco bay area increased in population by 43%. The big Los Angeles area added 29% to bring the total population over the 3.5-million mark.

The big Great Lakes metropolitan areas, including Chicago, Milwaukee, Detroit, and Cleveland, picked up 10% population increases on the average. But smaller cities did even better. South Bend, Gary, Dayton, Rock Island, and Saginaw are examples.

Along the Atlantic seaboard, the Hampton Roads area

in Virginia made the biggest gain percentagewise. Washington, the seat of the federal government, also moved up in importance as a major marketing area. Boston and Baltimore moved ahead.

In the Southwest, Texas provided nearly all of the growth cities. They included Dallas, Fort Worth, Houston, San Antonio, Beaumont, Corpus Christi, and Port Arthur. In the Southeast, Mobile, Montgomery, Jackson, and Macon were the fastest growing cities. The metropolitan areas, however, moved up too—Atlanta, Louisville, Memphis, and Birmingham.

Denver outdid all other major cities in the Farm West territory for population growth. Other important gainers were St. Louis, Kansas City, Minneapolis, and Wichita.

CONCLUSION

There is no reason to doubt the newness of the New American Market. It is definitely not the market of pre-war days.

For many a marketer this is unmapped territory. Post-war sales, of course, have been made in volume. But there is much testing to be done when marketing has to be backed up with hard selling.

For all marketers, there are several main points to keep in mind:

(1) The American market has lost many of its old interior boundary lines. The new market is more truly a broad national market.

(2) Income gains have been made everywhere. But the West and South have gained more at the expense of the Northeast.

(3) Incomes are more nearly equalized. There is less spread between sections of the country and sections of the population.

(4) There has been an accelerated shift in the population movement from farm to city.

(5) The migration of industry is benefiting newer regions of the country and boosting importance of smaller cities.

These are the major trends and major characteristics of the new market. The picture is clear to see: There is a New American Market—it invites exploration from the marketers of America.

REPRINTS AVAILABLE

Copies of this Report to Executives, coupled with a Market Data Supplement, will be available in color reprint form in about two weeks. Single copies will be mailed to Business Week subscribers upon request without charge—to nonsubscribers for 20¢. Additional copies will be billed at the rate of 20¢ apiece. On orders of 11 or more, quantity prices will be quoted on inquiry. Bound volumes of all reports are available at \$1.50 each. Address orders for reprints to Paul Montgomery, Publisher, Business Week, 330 West 42nd Street, New York 18, N. Y.

FINANCE

A. T. & T.'s Profits Due to Rise

Rate increases, plus still far-from-filled phone demand, are expected to offset plunge in profits that company experienced in 1947. But traditional \$9 dividend won't be earned this year.

For the American Telephone & Telegraph Co., 1947 has not been a happy year. Its earnings plunged sharply (BW—May 31 '47, p. 58). Its profits fell to a level where this year they won't cover completely the traditional \$9 annual dividend.

• **Optimism**—But as the year draws to a close, A.T.&T. president Walter S. Gifford is sure that the company's troubles are over. Recently he flatly predicted that by year's end company earnings would once more be back up to a point where they would cover the hefty dividends.

Last week, the Wall Streeters who keep their ears tuned to the company's financial dial tone were even more bullish. Going further than Gifford, they were willing to bet right now that by the last quarter of 1948, A.T.&T. an-

nual earnings rate will cross the \$10 mark—and have something to spare.

• **Two Factors**—Behind the optimism are two important factors:

(1) Rate increases have lately been granted to Bell System companies by regulatory groups in 24 states. These should add an estimated \$78-million to yearly revenues at present operating levels. If applications made in 17 other states are approved the system will take in another \$93-million a year. And similar requests for rate raises will be made soon in other areas.

(2) There has been no drop in the record demand for telephone service (BW—Dec. 6 '47, p. 25). By the end of 1947, the Bell System will have a total of more than 28-million telephones in service—some 28% more than were in use at the end of the war. Yet nearly 2-



Banking in Holiday Wonderland

Christmas has taken over at Franklin Square National Bank, Franklin Square, N. Y. This promotion-minded bank is missing no trick to win customers. And, with an eye to the banker of tomorrow, its decorations are angled to attract the small fry. There are Santa himself, an aluminum Christmas tree,

an "Alice in Wonderland" window display. Large snow princesses floating through the air contribute a wintry bit of cheesecake. Franklin Square has already attracted attention for promotion enterprise. It boosts its credit department by displaying products your credit can buy (BW—Jun. 21 '47, p. 70).

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million more applications for phone are still to be filled.

• **Pessimism**—Not all holders A.T.&T. common are quite so hopeful about the future. That's shown by the issue's recent price performance on the New York Stock Exchange.

Last week, for example, A.T.&T. shares sold for as little as \$150 each. That's some \$50 under the issue's 1947 bull market high, almost \$25 below its 1947 peak. Worse, it's only slightly above the \$149.75-low that the shares skidded to a few months back.

• **Bonds Down, Too**—A.T.&T.'s many outstanding bond issues have been following a similar course. Take, for instance, its 2½% debentures due in 1961. That issue can be converted into stock at \$150 a share—by surrendering \$100 in bonds and paying \$50 in cash. Just a year ago, \$343-million of the issue were sold to stockholders at par. Early this year these bonds rose to 119½% of par. But last week plenty were available at 101½.

One explanation is that costs are still rising. Last year, for example, Bell System payrolls sopped up 51.1¢ of each revenue \$1—as against only 37¢ in 1940. And the sharp rise in wage rates early this year may have hiked that ratio to around 58%.

• **Expensive Expansion**—A.T.&T.'s huge postwar expansion program will also prove an expensive undertaking—at least until the new facilities start paying for themselves. To meet its cost, A.T.&T. has already borrowed well over \$1.4 billion of new capital.

The method: selling convertible bonds, including an offering of \$360 million 2½s due in 1957. Scheduled for completion this week, this is the largest single piece of financing any private corporation has carried out in the history of U. S. finance.

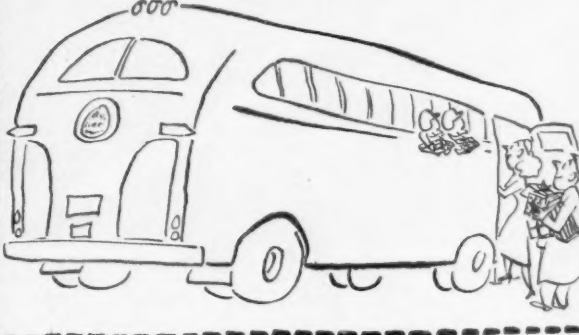
• **Cost: \$4.5-Billion**—Already this volume of financing has raised Bell System interest charges and dividend requirements sharply (interest and amortization charges alone last year rose to \$53.9-million from \$43.2-million in 1945). And its full impact has yet to be felt. The system's entire postwar expansion program is expected to cost approximately \$4.5-billion.

Nonetheless, the optimists seem certain that such increased costs will be offset by the high demand and increased rates.

• **No Discounter**—Normally, the stock market is the greatest "discounter" in business. In other words, its valuations today rarely represent any dollar-and-cents appraisal of current or past earnings. Much more important as a price determinant are tomorrow's prospective earnings and dividend rates.

But this doesn't seem to be the case now among many A.T.&T. stockholders. Instead of basing their market judgment

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CHRISTMAS 1947
LADIES' HOME JOURNAL



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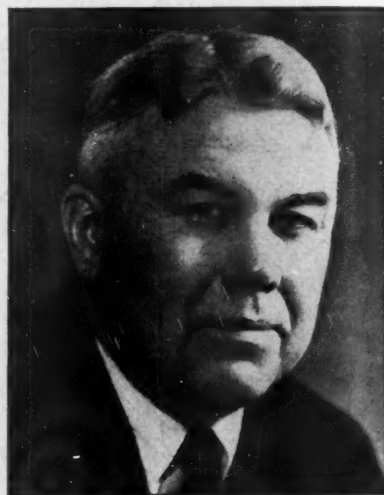
ment on the 1948 earnings outlook, they appear to be giving more weight to the system's recent string of depressing profits reports.

• **High Gross, High Costs**—Profits had dropped in spite of the fact that the whole system's gross revenues soared to



NEW CHAIRMAN . . .

Harry M. Addinsell will succeed John R. Macomber as chairman of the board of First Boston Corp. Addinsell moves up from chairman of the executive committee. He joined First Boston—one of the nation's leading investment banking houses—when it was organized in 1934. Prior to that he was president of Chase Harris Forbes Corp.



. . . AND NEW PRESIDENT

Moving up from executive vice-president to president is James Coggeshall, Jr. He'll succeed Allan M. Pope. Coggeshall started at the First National Corp., a predecessor company, in 1919. At First Boston he is a director and a member of the executive committee.

Both Macomber and Pope will retire under the corporation's retirement plan.

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their highest 12-month level in history in the year ended Aug. 31, 1947. The reason was that the cost of doing business also zoomed to record-breaking heights. Operating expense and interest and amortization charges soaked up some 92% of each dollar taken in.

As a result, system profits that could be applied to A.T.&T. stock skidded about 18% below their 1946 level. Moreover, profits reported probably failed by well over \$16-million to cover the parent's \$9 dividend.

• **Sour Reading**—The January-September, 1947, operating report of A.T.&T. alone made just as sour reading. It showed profits equal to only \$5.63 a share. The year before the nine-months' figure was \$6.83. And a decade ago, when system revenues were running at rates only about half as large as those this year, Mama Bell was able to point to nine-month earnings of over \$7 a share.

Best Wall Street guess is that the system's net for all of 1947 won't amount to much more than \$7.25 to \$7.50 a share of A.T.&T. common. (Last year it was \$9.42.) If the guess proves true, 1947 will be A.T.&T.'s poorest profit year since 1935, when earnings came to only \$6.74 a share.

• **Ten Failures**—This year by no means represents the only time that the \$9 dividend hasn't been fully covered. Ten times in the last 20 years the company has found itself in a similar fix. And each time earnings have managed to stage a comeback like that which Gifford is now predicting will take place in 1948.

Setback for Young

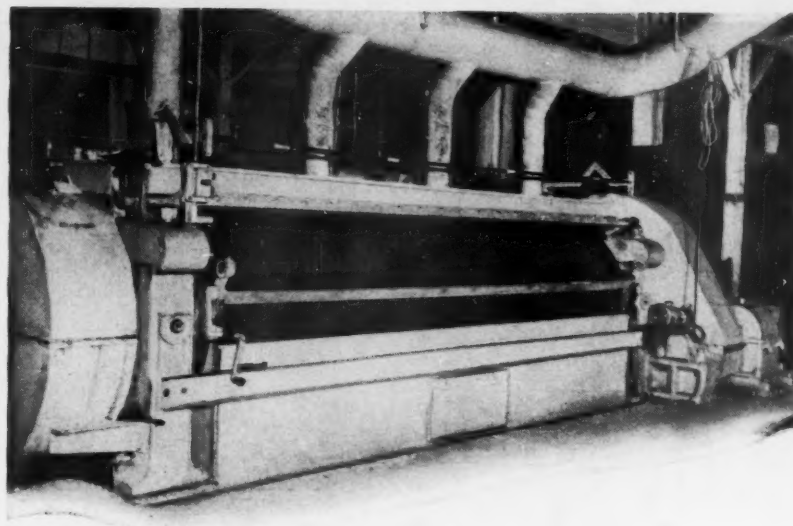
ICC official recommends that commission refuse to allow him to serve as a director of the N. Y. Central R. R.

Robert R. Young last week lost the first round in his fight to get a voice in control of the New York Central R. R. C. E. Boles, assistant director of the Interstate Commerce Commission's Bureau of Finance, recommended to the full commission that:

• Neither Young, Chairman of Alleghany Corp. and of Chesapeake & Ohio Ry., nor Robert J. Bowman, president of the C. & O., should be permitted to serve on Central's board of directors.

• C. & O. should not be permitted to vote the 400,000 shares of Central stock (6.2% of the total outstanding) that it recently acquired.

According to Boles, there is "grave doubt" that election of Young and Bowman to Central's board would benefit



When it comes out here . . .

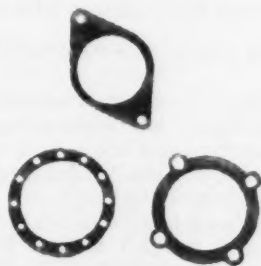
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the road to the extent that Young has claimed (BW—Sep. 27 '47, p82).

● **Comment**—Their election, coupled with permission to C. & O. to vote its stock, might well constitute a violation of both the Interstate Commerce Act and the Clayton antitrust act, Boles said. His reasoning: The combined effect of the two steps would be "substantially to lessen competition between the two carriers."

Boles also commented, not very favorably, on the "willingness" of Young and Bowman "as trustees of . . . C. & O. stockholders . . . to take great risks with the company's funds." He said they were speculating on (1) "their ability to get on . . . Central's board by persuading the commission to overthrow all its precedents," and (2) "their opinion

that they can do a better job running . . . Central than can its present management."

● **Never Say Die**—Young, of course, refuses to concede defeat. He says he will keep on "fighting for our right to assert C. & O.'s owner-management interest in . . . Central."

Significantly, Young doesn't have the support of all official family in his struggle to get his hands on Central. George Estlin—director, member of the executive committee, and vice-chairman of the finance committee of Allegheny Corp.—has publicly urged ICC to turn down Young's proposal. Estlin is "definitely opposed to the acquisition of Central stock by C. & O." Apparently he fears the effect of that investment on the value of C. & O. common.



MAINE TURNPIKE will take strain off heavily traveled Highway 1 which it parallels

Privately Financed Toll Road Opens

Bonds for building Maine Turnpike not secured by state. Self-liquidating superhighway runs from Kittery to Portland.

The first leg of the Maine Turnpike—privately financed toll highway—was opened to traffic last week.

● **To Pay for Itself**—The Turnpike, one of the first postwar superhighways, is being built as a self-liquidating toll road. Its financing is handled through the Maine Turnpike Authority, set up by the state. But no state credit is pledged to support the bonds sold by the authority.

Despite this lack of state financial backing, the first issue of \$15-million in 2½% bonds was oversubscribed on the date of issue—Feb. 1, 1946. A later issue of \$5-million in 2½% bonds was likewise well received.

The turnpike section just opened—

which covers the 47 miles between Kittery on the New Hampshire border to Portland—parallels heavily traveled U. S. Highway 1. Later the turnpike may be extended to Aroostook County on the Canadian border.

● **50¢ Toll**—The toll is 50¢ for passenger cars, slightly higher for commercial vehicles. Besides terminals at Kittery and Portland, there are four entry points: Wells, a point near Kennebunk, Biddeford, and Saco.

About the only squawks the highway has brought so far are from owners of antique shops on Highway 1. They are unhappy at the prospect of potential business being siphoned off.

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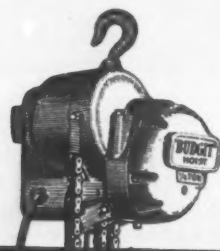
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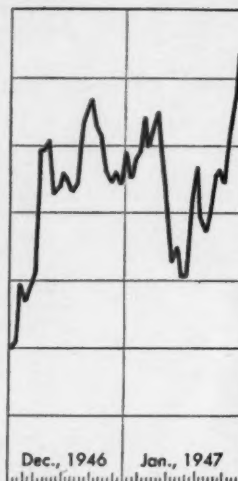
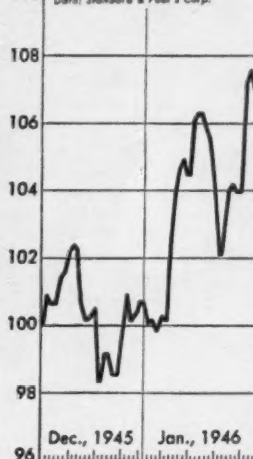
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THE MARKETS

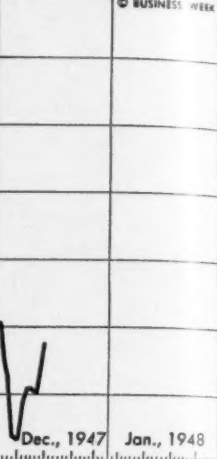
Dec. 1 of Each Year = 100

Data: Standard & Poor's Corp.



Dec. 1 of Each Year = 100

© BUSINESS WEEK



INDUSTRIAL STOCKS ordinarily get off to a brisk rally at the end of the year. But this time the rise has been slow in coming, and Wall Street is getting uneasy.

Year-End Rally Coming?

Industrial stock prices traditionally go up in December and January; special factors may operate to make this year an exception. Commodity Exchange authority will tighten futures-trading rules.

Businessmen who want to raise new money in 1948 (page 19) may get an important hint from the stock market within the next couple of weeks.

• **Questions**—Just now, Wall Street is waiting anxiously for the answer to two questions:

(1) Are industrial stocks going to enjoy their traditional year-end rally?

(2) Would a good December-January rise get the market out of its rut and perhaps touch off a 1948 bull market?

• **Precedent**—Year after year for a long time back late December upsurges have appeared on the scene with clockwork regularity. Both investor and trader, as a result, have come to take them for granted.

If the customary upswing doesn't come off this year—or if it is only a half-hearted little 'bounce'—this might easily be the signal for another bad sinking spell. Contrariwise, a healthy rally at this time might take the industrials through the long-standing resistance point (186 on the Dow-Jones average) and open the way for an advance into new ground.

• **Causes**—Ordinarily, four factors supply the impetus for the traditional year-end stock-market rally:

RELAXATION of the pressure of sales made to register losses or gains for tax purposes.

REPLACEMENT buying of traders and investors who have made such sales.

BUY-ORDERS arising from normal end-of-the-year portfolio adjustments.

INVESTMENT of the dividend and interest payments that shower down at one year ends and another begins.

This is a potent combination. And not once in the past two decades has it failed to produce some sort of December-January rally for the industrials. The gains registered during such upswings have never been less than 5% (using Standard & Poor's industrial stock price average as a yardstick). The January high on occasion has run as much as 19% to 21% above the previous

Security Price Averages

	This Week	Month Ago	Year Ago
Stocks			
Industrial	149.4	146.9	151.3
Railroad	41.9	39.9	40.9
Utility	66.8	66.1	69.6
Bonds			
Industrial	119.2	119.4	120.5
Railroad	105.1	104.3	104.6
Utility	113.4	114.6	111.9

Data: Standard & Poor's Corp.

month's low point for Standard & Poor's industrial averages.

Surprise—You might think that the best year-end performances would come when the long-run market trend was bullish. But in the past it hasn't worked that way. Instead, the best rallies have come in the midst of bear markets.

For example, not one of the year-end rallies during the 1942-1946 bull market produced a gain of more than 14% in the S. & P. industrial price index. The December 1928-January-1929 rally figured out to a gain of 17%.

But January, 1934, saw industrial stocks reach a level some 20% above their December, 1933, low. Industrials scored a 21% gain in the 1931-1932 year-end rally. And they chalked up 19% in December 1937-January 1938.

Confidence—Publicly at least, most Wall Streeters appear to expect the industrial stocks to perform their usual stunt this year-end. They also seem confident that results of the price upswing they see just ahead will at least equal those produced by the 1945-1946 and 1946-1947 year-end rallies (chart).

Qualms—But if you scratch beneath the surface, you find that much of this militant bullishness is only skin-deep. Plenty of market students privately confess that they aren't so sure. As they see it, there are at least half a dozen factors that could take the zip out of the year-end rally this year. These include:

(1) The uncertainty of the foreign situation and the probability of more trouble ahead in that area.

(2) The recent severe price drops that gilt-edged bonds and preferred stocks have suffered.

(3) The possibility of a growing scarcity of investment money and credit in the months ahead.

(4) The probability that 1948 will bring a wave of wage increases that will take industry's break-even points still further.

(5) Increasing consumer resentment over price levels, which might lead to government restrictions and pressure on corporate profits.

(6) Growing uneasiness about the future of the boom and the chance of a serious letdown in 1948.

End of a Field Day?

Come Dec. 30, look for the Commodity Exchange Authority to plug the tax loopholes spotlighted early this month in its report: "Futures Trading and Income Tax."

That's the deadline for interested parties to write in their views pro and con about the proposed amendment to the exchange regulations published last week in the Federal Register.

"Bookkeeping Fictions"—The changes CEA proposes represent its answer to

certain "bookkeeping fictions." Through these, brokers have been able to help trading-clients cut sharply their tax liability on speculative profits. If CEA has its way it will no longer be legal for brokers to "hold open" on their books long and short positions in the same commodity future that offset each other. This practice has been popular because it gives customers a chance to:

(1) Shift trading profits from one tax year to the next;

(2) Convert short-term profits into less-taxed long-term capital gains;

(3) Convert realized profits into the "appearance of a loss" for tax purposes.

• **Not Illegal**—Taking offsetting positions in the same futures contract, CEA admits, isn't illegal under present regulations. Nonetheless, transactions that "give the appearance of actual purchases and sales without resulting in any change in market position" of a trader are a different story. CEA construes them as "fictitious or 'wash' sales" in the meaning of the Commodity Exchange Act. And it's determined to stop the practice.

According to Secretary of Agriculture Clinton Anderson, CEA checked on grain and cotton futures accounts on Aug. 30. It found that 646 such accounts, out of 13,551 on the books of 57 brokers, were being "held open" at the request of clients. And involved in them were 30-million bu. of grain futures and 171,150 bales of cotton futures.

Few of such transactions, moreover, had to do with hedging involving the marketing of any commodity, CEA reports. Instead, most of the offsetting long and short positions that it examined indicate that they were made to cut tax liability.

• **Conversion for Profit**—Here's the way, for example, that traders in futures have been able to convert their short term profits into less-taxed long-term capital gains:

Say trader buys 5,000 bu. of December wheat at \$2.65. It soon reaches a price of \$2.85 and he decides to take his profit. Six months haven't elapsed, however, so this would mean that he would be collecting a short-term profit.

Therefore, he doesn't dispose of his original contract. Instead, he sells an equal amount of wheat at \$2.85 and instructs his broker to keep accounts open on the books. Not until six months have passed are the accounts actually closed out. That makes the profit a long-term gain. And in the interim he is assured of collecting his profit when he wants it—no matter which way the market may move.

• **Profit Into Loss**—A profit can also be moved from one year into another by similar "straddle" operations. So can profits be reduced, or even turned into a loss, for tax purposes.



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LABOR



ANOTHER WALKOUT by John L. Lewis means more labor rivalries in the offing

Lewis' Third Labor Movement

U.M.W. chieftain now dreams of surpassing C.I.O. and A.F.L., but will have to mark time until after federal courts rule on whether Taft-Hartley act is constitutional.

There need be little mystery about John L. Lewis' present plans. His abrupt departure from the American Federation of Labor throws him back on his own resources.

Today these resources are less than he had seven years ago as boss of the C.I.O. They also are less than what he could count as the dominant behind-the-scenes figure in the A.F.L. But they are still formidable.

• **Resources**—They include: (1) more than 500,000 loyal coal miners; (2) a miscellany of workers in a couple score of industries organized in District 50; (3) a substantial treasury; and (4) resolute personal ambition.

That is the Lewis arsenal. He wants to use it to build a third labor movement that will tower over both of those

he has now forsworn. He would do this by moving on two fronts: (1) by organizing still unorganized workers; and (2) by splitting off A.F.L. and C.I.O. groups and bringing them under his banner.

• **Success Factor**—Such, in its simplest terms, is the Lewis program.

Its success will depend largely on whether Lewis' ideological position is upheld. For reasons of "principle" Lewis refused to have his United Mine Workers qualify under the Taft-Hartley act for access to the National Labor Relations Board. For the same reasons, he refused to sign a non-Communist affidavit in his capacity of vice-president of the A.F.L.; that's why he was not re-elected an officer of A.F.L. at that organization's convention in October.

From that followed last week's C.I.O. U.M.W. note: "Green, A.F.L. We do affiliate. Lewis."

• **Lone Wolf**—It was the Taft-Hartley act that took Lewis to his present lone wolf position. And it will be the Taft-Hartley act—and its fate—that will determine where Lewis goes from here.

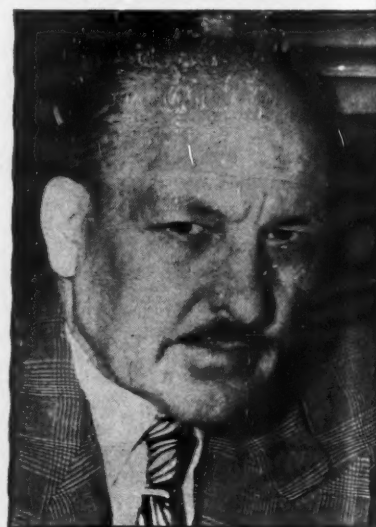
As long as the U.M.W. and its District 50 have to follow the Lewis ban against qualifying for NLRB services, it is a cinch not much organizing can be done. But should the non-Communist affidavit requirement of the law be held unconstitutional, Lewis will be vindicated and his organizers can go to town.

• **Front**—Thus, for the present, the signs of bustling activity in U.M.W. headquarters will be misleading. Behind the huffing and puffing, Lewis will be marking time. There isn't much that can be done until the courts act on the Taft-Hartley law.


Moves to get this action under way have been initiated by C.I.O.'s National Maritime Union. U.M.W. lawyers will go to work on the same problem.

Meanwhile, Lewis' emissaries will be looking for employers who might like to deal with District 50 without the formality of NLRB certification. They are not expected to turn up very many.

• **Crown Prince**—Also, Lewis will be reorganizing the internal lines in the U.M.W. His elevation of John C. Owens, Ohio district leader, to the secretary-treasurership of the U.M.W. taken as the naming of his heir apparent. Welsh-born, 57-year-old Owens takes over the post held for 22 years by Thomas Kennedy. And Kennedy moves to the U.M.W. vice-presidency vacated by the death of John O'Leary. These shifts within the hierarchy are designed to caulk a few seams in the top rank opened by rival candidates for the unofficial title of U.M.W. crown prince.



SECRETARY-TREASURER job makes John Owens the U.M.W.'s crown prince



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More Employees?

U. S. agencies study broadened definition that would increase social security rolls, add to management's tax bill.

Who is an "employee"? Last week the Treasury Dept. and the Federal Security Agency were studying a broadened definition that may add 500,000 persons to those already covered by social security. It also might add millions to management's social security tax bill.

• **Exempt Group**—In the past an exempt grouping—independent contractors—has included life-insurance agents, door-to-door salesmen, home-workers and others who conceivably work for themselves. In many cases there has been a question of whether they might instead, be employees. However, past policy has been to exempt them from social security taxes and benefits.

Three 1947 decisions by the U. S. Supreme Court have been interpreted to mean that this policy is wrong. The Treasury's Bureau of Internal Revenue has taken first steps to set new standards for deciding who, as "employees," are subject to social security taxes payable both by employers and employees.

• **Four-Page Revision**—Internal Revenue Commissioner George J. Schoeneckman published a four-page proposed revision of the definition of an "employee" in the Federal Register on Nov. 27. He said that the bureau would hear arguments on the revised policy for 30 days before taking final action. The Federal Security Agency, which pays out unemployment and old-age benefits under the law, will include in its regulations any changes adopted by Internal Revenue.

• **Old Definition**—The Social Security Act of 1935 defined employment loosely as "service performed by an employee for the person employing him." It didn't go into the question of who is an "employee."

Internal Revenue's rule-of-thumb test has been whether a "master and servant" relationship exists. FSA, on the other hand, has held that this test is too narrow. It has argued that the "economic relationship" of parties involved must be considered.

• **Decisions**—Last Spring the Supreme Court cut away some of the uncertainty. In decisions involving Greyvan Line Inc., and Silk Coal Co., it held that certain owner-drivers of trucks weren't employees. It held in another decision that musicians playing short engagements were employees of a "name band" leader. The court denied that they, as specified in their contracts



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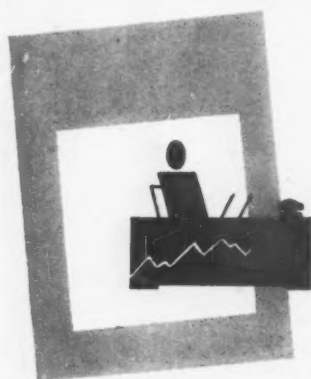


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were employees of the Crystal Ballroom, which had booked the band.

What the court made clear in these cases was that "degree of control" is not the final test of whether a person is an employee. Internal Revenue took the decisions to heart. It proposes in the future to use a complete set of tests.

• **Yardstick**—The principles and factors to be used as a measuring stick—based on the proposed broadened definition—would include:

- (1) Degree of control management exercises over the individual.
- (2) Permanency of the relationship.
- (3) How the individual's job fits into the business to which he renders service.
- (4) Skill required by the individual.
- (5) Investment made by the individual in the facilities for work.
- (6) Individual's opportunity for profit or loss for his services.

• **Dependency**—These tests are designed to find whether the individual is economically dependent on the business to which he renders services, rather than on his own business.

Neither court regulations nor those proposed by Internal Revenue set up classes of workers covered by—or exempt from—the law. It's going to be a matter of applying the new tests to specific cases.

• **Expansion**—Meanwhile, possibilities of expanding social security coverage far more extensively are being widely explored. President Truman and many in Congress are interested in adding to the social security list about 19-million farm, domestic, and other workers now excluded.

During the last fiscal year, 33-million of the 59.3-million average in the civilian labor force had social security coverage. About 2.2-million were unemployed, and some 24-million weren't covered because (1) they came under the "independent contractor" classification, or (2) the 1935 law specifically eliminated them from its coverage. Congress limited coverage to commercial and industrial employment. It assumed that it would be too difficult to administer the law in other fields. Now there's a belief, based on more than a decade's experience, that at least 19-million other workers can be covered.

• **Unions Push Action**—Several bills have been introduced in both houses of Congress to extend social security coverage. Unions, in particular, are pressing for action in 1948. Currently, it appears unlikely that Congress will consider the proposals favorably next year.

Treasury researchers say that the present return, or payroll, system in use in commercial and industrial employment could be used for many farm or domestic employers. Where this plan can't be used, employees could be covered by using individual wage books



SALESMEN may be classified as "employees" under new social security tax rule

or a tax stamp plan. Self-employed persons—an estimated 11-million—could file individual social security tax returns, pay the tax directly to the Collector of Internal Revenue.

RAISE FOR OIL WORKERS

Last year, C.I.O.'s oil workers won a major concession from employers. A large chunk of the industry agreed to link wages and living costs through cost-of-living bonuses, revised quarterly. The basic wage rate was not to be affected by the fluctuating bonuses.

But this week oil management had no doubt that it is going to have to convert c.-of-l. bonuses into basic wages in 1948. An agreement just signed by Standard Oil Co. of California has made that clear.

Also gave the Oil Workers International Union a 10¢ hourly raise last February. Under the c.-of-l. plan, it has given bonuses amounting to 9.8¢ an hour since then. In negotiations which averted a strike, Standard recently agreed to consider the 9.8¢ bonus as a part of the basic hourly rate. Besides that, it gave a 5¢ raise, retroactive to Oct. 1, and 2½¢ raises effective Dec. 15 and Jan. 15. No provision was included in the new pact for further c.-of-l. bonuses.

Shell Oil Co., Shell Chemical Corp., and Tide Water Associated Oil Co. refineries are expected to follow the same formula. In all, 8,000 C.I.O. oil workers will be covered by the new contracts.

The C.I.O. union's national wage policy committee has been called to meet early in January. Objective will be to plan a 1948 oil wage drive (BW-Dec.13'47,p85).



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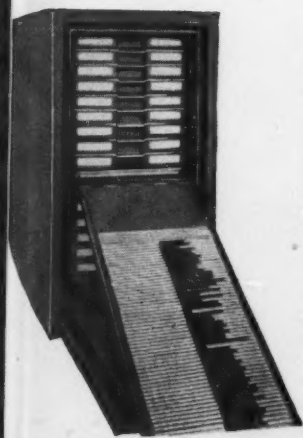
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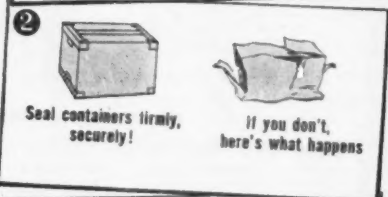
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What's Happening to the Cost of Living

	Food	Clothing	Rent	Gas & Electricity	Other Fuels & Ice	House Furnishings	Misc.	Total Cost of Living
August, 1939	93.5	100.3	104.3	99.0	96.3	100.6	100.4	98.6
January, 1941*	97.8	100.7	105.0	97.4	104.2	100.1	101.9	100.8
October, 1941	111.6	112.6	107.5	96.7	111.1	114.4	106.9	109.3
October, 1942	129.6	125.9	108.0	96.7	115.5	123.6	111.8	119.0
October, 1943	138.2	133.3	108.0	95.9	119.3	126.7	117.6	124.4
October, 1944	136.4	141.9	108.2	95.8	123.5	141.4	122.8	126.5
October, 1945	139.3	148.5	108.3	94.8	125.7	146.9	124.7	128.9
October, 1946	180.0	168.1	108.8	91.6	136.6	168.5	131.0	148.6
November	187.7	171.0	108.8	91.8	137.2	171.0	132.5	152.2
December	185.9	176.5	108.8	92.0	138.3	177.1	136.1	153.3
January, 1947	183.8	179.0	108.8	91.9	142.1	179.1	137.1	153.3
February	182.3	181.5	108.9	92.2	142.3	180.8	137.4	153.2
March	189.5	184.3	109.0	92.2	142.5	182.3	138.2	156.3
April	188.0	184.9	109.0	92.5	143.8	182.5	139.2	156.2
May	187.6	185.0	109.2	92.4	142.4	181.9	139.0	156.0
June	190.5	185.7	109.2	91.7	143.0	182.6	139.1	157.1
July	193.1	184.7	110.0	91.7	146.6	184.3	139.5	158.4
August	196.5	185.9	111.2	92.0	154.8	184.2	139.8	160.3
September	203.5	187.6	113.6	92.1	156.3	187.5	140.8	163.8
October	201.6	189.0	114.9	92.2	157.4	187.8	141.8	163.8

* Base month of NWLB's "Little Steel" formula.
Data: U. S. Bureau of Labor Statistics; 1935-39 = 100.

New Yardstick for Living Costs

BLS issues a variation on consumers' price index. It is given in money terms, covering "family budgets" in 34 cities. Union economists are expected to use it in third-round wage arguments.

For the past 10 years, unions have found the rising cost of living a handy lever to pry higher wages out of management.

Management was pushed onto this basis for wage bargaining through the War Labor Board's famous "Little Steel formula."

When and if living costs begin to fall, union leaders will shy away from them at the bargaining table. But until then, the cost of living will remain a weighty indicator of what union wage demands can be expected. • **Variation**—Now the Bureau of Labor Statistics has introduced to labor and management a variation of its "consumers' price index for moderate-income families in large cities." That index had become the accepted yardstick for measuring changes in living costs. The new figures give, in money terms, the "city workers' family budget" for the average family (husband, wife, son of 13, and daughter of eight) in 34 large United States cities (BW—Aug. 30 '47, p78).

It was prepared at the request, in 1945, of the Labor & Federal Security Subcommittee of the House Committee on Appropriations. It was unveiled

this week by BLS Commissioner Ewan Clague before a subcommittee of the Joint Congressional Committee on the Economic Report.

• **Basis**—Union economists now have something expressed in dollars and cents on which to peg their arguments for a



BLS COMMISSIONER Ewan Clague's family-budget study goes to Congress



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third-round wage boost. Of course, they can use the cost-of-living index; but an index figure is less dramatic.

In explaining the family budget, Clague was careful to point out that it is not a subsistence, minimum, or ideal budget. Rather, it is an "adequate" budget "based on the kinds of goods and service workers' families in the United States actually select."

Furthermore, no average budget was prepared for the country. Each budget applies only to the specific city covered—it cannot be translated to cover other cities which might be at the same level in the consumers' price index. The arithmetic average of the 34 cities shows, however, a June (1947) figure of \$3,215—a 17.1% increase over March, 1946's \$2,746.

• **Not an Indicator**—The BLS price index for San Francisco, for example, stood at 165.7 on Sept. 15. In Jacksonville, Fla., it was almost three points higher—168.5. But this is not an indicator of the relative cost of living in those two cities; it is only a gage of how living costs in each city stand in relation to the average during the base period (1935-39) for that city.

Actually, living costs are lower in Jacksonville than in San Francisco. The BLS family-worker-annual-budget last June was \$3,135 in Jacksonville compared with \$3,317 for San Francisco. In March, 1946, it was \$2,677 in Jacksonville and \$2,853 in San Francisco.

• **Use**—In Clague's view, the budget figures cannot be used in national or industry-wide negotiations. But they may crop up in local bargaining.

In particular cities, the family budget figures may be adjusted to compensate for the increased cost of living since June. The budget normally would increase about 70% as fast as the price index figures, which have risen about 5%.

• **The Differences**—According to BLS' weekly earnings figures for September, the average wage for production workers in manufacturing plants was \$50.45. This comes to \$2,623 a year. Yet, in New Orleans, which is supposed to have the lowest cost of living of the 34 cities covered, BLS finds that a family of four needed \$3,004 last June to maintain an "adequate" standard of living.

Clague says the wage statistics cannot be translated in terms of the budget requirements. But it is one thing to state that view, and another to convince labor of it.

OAK RIDGE THREAT ENDED

Carbide & Carbon Chemicals' atomic labor troubles at Oak Ridge, Tenn., apparently are over for 18 months. A new contract has been signed with C.I.O.'s Chemical Workers after an uneasy strike truce. It includes an important "no work stoppage" agreement.

BUDGETS BY CITIES

This is what the Bureau of Labor Statistics found that the average family of husband, wife, and two children (13 and eight) needed to spend in 34 large cities to keep up an "adequate" standard of living in March, 1946, and June, 1947:

City	Estimated Total Cost of Budget	
	June, 1947	March, 1946
Washington	\$3,458	\$2,985
Seattle	3,388	2,913
New York	3,347	2,820
Milwaukee	3,317	2,811
Boston	3,310	2,842
Detroit	3,293	2,813
Pittsburgh	3,291	2,761
Minneapolis	3,282	2,779
Chicago	3,282	2,793
San Francisco	3,317	2,853
Baltimore	3,260	2,797
St. Louis	3,247	2,824
Mobile	3,276	2,826
Norfolk	3,241	2,804
Memphis	3,220	2,750
Los Angeles	3,251	2,766
Birmingham	3,251	2,781
Richmond	3,223	2,776
Cleveland	3,200	2,712
Portland, Me.	3,200	2,735
Denver	3,168	2,711
Philadelphia	3,203	2,681
Scranton, Pa.	3,163	2,621
Savannah	3,150	2,721
Portland, Ore.	3,161	2,748
Atlanta	3,150	2,691
Buffalo	3,136	2,615
Jacksonville	3,135	2,677
Manchester, N. H.	3,132	2,700
Cincinnati	3,119	2,678
Indianapolis	3,098	2,667
Houston	3,020	2,532
Kansas City	3,010	2,603
New Orleans	3,004	2,573

* The total dollars needed to keep the family in good health, keep working well, feed children, and provide social activity for all members of the family.

The new 18-month contract provides for a 10¢ across-the-board hourly pay boost. The company also agreed to pay higher differential rates to 30% of workers on second and third shifts.

The contract wage clause can be opened at the option of the union after eight months; and grievances over application or meaning of the new pay will be arbitrated.

The Pictures—Int. News—22, 23, 101; Acme—22, 23, 24, 26, 31, 61, 86; Press Assn.—22, 23, 32, 40, 86, 96, 104; Harris & Ewing—92; Charles Phelps Cushing—90.

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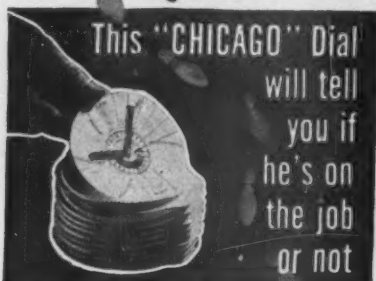
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PICKETING in last spring's Louisiana dairy strike brought a crackdown by the law

Violators Feel Hobbs Act Teeth

Louisiana dairymen convicted of breaking racket-busting law by blocking interstate milk deliveries. In Philadelphia, teamster union, officials, and business associations are indicted.

The year-and-a-half old teeth in the Hobbs act have begun to bite. As a result, an A.F.L. teamsters union representative is going to jail and another two, along with their local union, have been indicted.

The credit for breathing some life into a statute which was on its way to the grave goes to explosive Rep. Clare E. Hoffman, chairman of the House Committee on Executive Expenditures. He did it by conducting some field work and by needling the Dept. of Justice.

• **Diggings**—The Hobbs act became law in July, 1946. It amended the anti-racketeering law of 1934, making it cover extortion and robbery interfering with interstate commerce for any purpose, including union organizing.

Last spring Hoffman set out to find out why the Hobbs law wasn't working (BW—Mar 29'47, p81). His committee dug into the situation in Philadelphia where \$125-million worth of fruit and produce is handled every year.

Hoffman hit pay dirt. A federal grand jury in Philadelphia has indicted Local 929 of the teamsters, and two of its officials. Also indicted: the Wholesale Fruit & Vegetable Distributors, Inc.; the Perishable Fruit & Produce Haulers Assn.; and the business manager of W.F.V.D.

• **Charges**—All are accused of conspiracy to violate the Hobbs act. If convicted, they face up to 20 years' imprisonment and up to \$10,000 in fines, or both. The charge is that they could "at will" stop the business of any member of the as-

sociations by ordering out all of the union workers. The indictment alleges that they extorted money from businessmen, merchants, and farmers to prevent or release a "tie up." Also, the defendants are accused of demanding that

(1) Distributors and haulers pay \$22 dues to their respective associations.

(2) Merchants pay \$25 initiation fee and \$4 monthly dues to Local 929 for union membership.

(3) Merchants and employees pay money to the defendants "in the guise of fines arbitrarily assessed and collected" for departure from trade practices.

(4) Unpaid initiation fees and back dues be paid to Local 929 for out-of-state farmhands and truck drivers before permitting the unloading of out-of-state trucks—unless the drivers are union members in good standing.

The union is also accused of assuring itself of control of the trade association by refusing to recognize the association unless it elected officers approved or selected by Local 929.

• **Sentences**—Meanwhile, in New Orleans, the first sentences have been imposed under the Hobbs act. Fifty-nine persons pleaded guilty to violating the law during a milk strike last year. Armed with guns, they had interfered with the out-of-state shipment of milk.

Leo B. Carter, teamsters union representative, has been sentenced to one year imprisonment and fined \$5,000. Others sentenced included former state and local government officials.

INTERNATIONAL OUTLOOK

BUSINESS WEEK

DECEMBER 20, 1947



Pawn in the East-West struggle is no longer Germany, but all of Europe. The breakdown at London has settled this for the months ahead.

Eastern Europe is now pitted against Western Europe. By sabotaging the conference, Russia has made the break complete. Whether it will ever be patched will be decided by the success or failure of ERP (The European Recovery Program).

The U. S. has no intention of making a separate peace with Germany. Nor will the U. S. haul its flag down in Berlin.

Instead, you can expect these developments:

(1) A new drive to get the French to string along with Bizonia in Western Germany. France looks about ready to join up. Marshall and Bevin have already promised Bidault a voice in the new Ruhr coal management.

(2) The four-power Allied Control Authority in Berlin won't fold up. But its operations will shrink. Four-power decisions will still be made on bread-and-butter matters—liquidation of war plants, parcel post regulations, food and fuel rations for Berlin. But that's about all.

(3) Moscow will put a new whoop into its propaganda on Germany. The charge: Marshall and Bevin don't want a unified Germany; they're interested only in profits from coal and timber sales; they aim at political partition.

Optimists in Washington figure there's one chance that Russia will play ball in Germany—if ERP shows signs of sure success.

Should this happen next year, the Kremlin might decide to backtrack. Then there would be further East-West sessions on the German and Austrian peace treaties.

But it's a toss-up whether the foreign ministers would do the talking this time. It might be the heads of state, instead.

There's strong pressure in Washington and London to go back to secret meetings like those held at Yalta and Potsdam. The theory: Moscow can't make concessions in highly publicized meetings like the London conference.

The U. S. will soon be taking over most of the occupation costs in Bizonia. Our share might come to 75%, maybe even more.

So Washington has talked London into giving Americans the top say-so in economic matters.

But you can discount reports that the U. S. will have a free hand in the Ruhr.

That doesn't happen in any international setup; it would be naive to expect it from the British.

The Communists did more damage in France than expected.

Washington officials now figure that the strikes set back French industrial production by two months or more.

November industrial output dropped 40% below October; the December figure could be even worse.

The danger now is that France will go through a raging inflation next year (BW—Dec. 13'47, p111).

Jean Monnet (author of France's Monnet Plan) has just produced a 1948 budget for the government.

It makes two optimistic assumptions: (1) No further price or wage

INTERNATIONAL OUTLOOK (Continued)

BUSINESS WEEK
DECEMBER 20, 1947

increases; (2) industrial production up to 110% of 1938 (it was 100% in October).

Even so, the gap between supply and the demand on consumer and producer goods is put at \$6-billion.

Monnet's budget figures 1948 imports at \$3.7-billion. Exports at only \$1.5-billion.

More than half of the \$2.2-billion deficit will come in the first half of the year—before ERP gets under way.

Only suggestion for meeting the deficit is to draw on privately held French assets in the U. S. This means strong French pressure on Washington to disclose names of owners. But Washington is almost certain to refuse.

Leading French businessmen want the Schuman government to take drastic measures to pump consumer goods into the domestic market.

They would like to see heavy cuts in capital expenditures and in exports.

They argue that this is the only way to reduce the inflationary gap and to stabilize the French economy.

After six months or a year, they would devalue the franc and begin to push exports again.

The De Gasperi government broke the Communist strikes in Rome without much trouble.

But in Italy the Reds didn't ask for a showdown. That's why they didn't take the same kind of beating they did in France.

The Italian Communists probably figured it was worth waiting for the March elections. If they could win these, they would be sitting pretty.

De Gasperi, however, is mending his political fences. He has just added five new members to his cabinet: three moderate Socialists, two Republicans.

Stalin has tossed a stiff dose of anti-inflation medicine down the throats of the Russian people (page 21). A 90% currency devaluation would be hard to take in any country.

It's too soon, though, to tell whether there are enough goods in Russia to match even the reduced supply of money in Russian pockets.

But you can be sure that the outside world will be told of thousands of new, well-stocked stores in the U.S.S.R. By official reckoning, at least, there are a thousand new bread shops in Moscow already.

The Havana Conference won't end until at least mid-February.

Delegates have to hash over 600 amendments to the ITO Charter.

The U. S. will turn thumbs down on most of these. And 200 of them are so serious that approval of any one over U. S. objections would jeopardize Washington backing for the Charter.

Mexico has been doing most of the talking against the U. S. point of view. And it has whipped up a lot of Latin American support.

Despite denials of any Latin American "bloc," the Latin delegates meet regularly to plan tactics.

From the U. S. angle, their attitude on foreign investments (page 101) is especially hard to swallow.

They seem to expect to get U. S. money on their own terms and with no strings attached.



CHAMPIONS of a better break for U. S. investment abroad: U. S. delegates to ITO parley (left to right) Reps. James G. Fulton, and Jerry Cooper; Clair Wilcox, chief of the Office of International Trade Policy; Ex-Under Secretary of State Clayton, chairman.

Fighting Curbs on Capital

U. S. delegates at Havana ITO conference push code to limit national restrictions on outside investment. Chief targets: laws restricting majority ownership by nationals, jobs for nationals.

American investors who own foreign businesses or who have money to sink in new enterprises abroad face a curious spreading paradox.

On the one hand, foreign countries are pleading for U. S. dollars and for capital to develop their resources. On the other hand, one country after another slaps restrictions on outside capital.

Article 12—This is one of the many problems which the 23 countries of the International Trade Organization are puzzling over at the full-dress Havana conference (BW—Nov. 22 '47, p. 10). Few items are being more hotly debated than the draft charter's unpublished Article 12, entitled "International Investment for Economic Development."

Article 12 sets the basic, uniform rules which one country may impose on the future of the capital invested in by the nationals of another. In essence, it provides that the signatory nations will: (1) give the "widest opportunities" for new outside capital and the "greatest security" for existing investments; (2) give outside capital an even break with domestic capital; (3) give "adequate compensation" when they expropriate foreign property.

But there's a catch. Restrictive laws in effect need not be changed.

Big Stake—The U. S., now the world's largest creditor and investor, was a prime

mover behind Article 12. It would even like to see it strengthened.

Just how much private U. S. citizens and corporations now have in direct foreign investments is unknown. But the figure is an imposing one. In 1940, total U. S. direct investment abroad—not counting holdings of foreign securities—was valued by the Dept. of Commerce at \$7-billion.

Today it's higher—probably at least \$8-billion. In 1946 the yield on direct investments hit a new peak—\$521-million. The Dept. of Commerce looks for a \$600-million return in 1947. (The Treasury Dept. computes direct-investment totals somewhat differently; it comes out with about the same over-all figure.)

But U. S. investment—and the yield from it—could be much higher if there were a relatively free flow of capital across national boundaries. That's why U. S. business would like a code to guarantee favorable conditions for foreign investments.

• **New Laws**—At present many countries are tightening the clamps on foreign-owned business operations. Of all the curbs today, probably the most widely used are those requiring: (1) majority stock ownership by nationals; and (2) employment of nationals.

Egypt, for instance, recently passed such a set of laws. These require that Egyptian nationals must comprise 40%

of all boards of directors, 75% of all regular employees. And in all new companies, 51% of the stock must be earmarked for Egyptians.

China has been toying with a number of similar laws; the status there is still unsettled. India now insists that majority control of any new foreign-sponsored business be held by Indians.

• **Looking South**—The U. S. has its biggest stake in Latin America. In 1940 that region accounted for 40% of all U. S. foreign investments, or some \$2.7-billion. That figure is now more than \$250-million higher. In 1946 Latin America turned in 49% of the yield from all U. S. direct overseas investments.

Despite this, however, some of the Latin American countries have given the U. S. its biggest headaches. Here are some examples of what investors are up against:

Cuba—(U. S. direct investments in 1940 were \$560-million.) The 1940 Constitution makes it almost impossible for foreign firms to bring in any employees or staff members from the outside. Eventually the law will eliminate all foreign personnel. U. S. businessmen also complain about tax discrimination.

Mexico—(1940 investments: \$357-million.) A 1944 decree, not always enforced, calls for 51% stock control by nationals. The country also has laws restricting land-holding by aliens and requiring employment of nationals.

Argentina—(1940 investments: \$387-million.) Besides its complex labor laws (BW—Oct. 25 '47, p. 110), Argentina has a host of other restrictions. Recently it tightened its control over transfer of profits abroad. The old law limited such transfers to 12% at the most; in some cases to as little as 5% annually. Now

TOKYO LETTER

TOKYO—Political unrest and economic chaos throughout the Orient are casting a shadow across hopes for a balanced Japanese economy. All other problems of economic recovery in this defeated but industrially potent country are purely secondary.

Hush-hush studies by the Economic & Scientific Section (ESS) of GHQ, Supreme Commander for the Allied Powers, recently pointed up Japan's dependence on Asia. Gen. MacArthur is convinced that Japan is tied to Asia and Asia is tied to Japan.

NOT LONG AGO, ESS plotted the pattern and levels of industrial and foreign trade activity which would give Japan a balanced economy (BW—Jul. 5 '47, p85). The goal is an economy that will put the Japanese on a standard of living equal to that of 1930-34. The Americans figure that this would do away with the need for financial assistance from the U. S. They believe this would assure permanent, effective operation of new democratic institutions and help rebuild the Far East.

To take care of the population increase since 1930-34, ESS estimates that industrial activity should be up 35%. It wants major changes made in the production pattern for silk, machinery, rayon, and chemicals. Silk output would be increased about 40% of the base period level; rayon would be increased four times.

The machinery and chemical fertilizer industries are due to go up to two or three times the base period figures. Future Far East markets dictate this change. It is estimated that industrial developments in China and elsewhere will use Japanese-made machines. Fertilizer is needed in bigger amounts to boost home food production.

Foreign trade shifts are also likely in the future. Textiles, of course, will still head the volume and value list of all exports. But percentage-wise these will account for less than before. Greatest shift will be in machinery exports; double the 1930-34 level is forecast.

THIS LOGICAL and plausible outline has one overwhelming hitch: It is no longer realistic in

view of present conditions in Asia. The prewar trade of Japan was dominated by the nearby Orient—Korea, Manchuria, North China, and Formosa (Taiwan). Together these sections accounted for 40% of Nippon's exports and imports. They also supplied Japan with an equal percentage of its investment income.

If trade could be reopened to these areas, the objectives outlined by MacArthur's men might be reached by 1955 (ESS optimistically calculates 1953).

In view of the present state of affairs, such an objective is far away. Korea is split, once and for all; Manchuria is almost completely in the hands of the Chinese Communists. North China is precariously held by Chiang-Kai-shek. Strong Chinese Communist forces are roaming along the Yangtze River. Bad government has destroyed the immediate value of rich Formosa.

ONLY THE DREAMERS in Nanking believe that it would be possible to equip and train enough Chinese Nationalist troops to retake Manchuria. American and other foreign military observers figure that it would take at least 10 to 15 years to prepare for a military assault on Manchuria. And this would have to be under "ideal conditions"—meaning complete foreign control over the armies and the national pursestrings, plus political and land reform.

In Formosa, new uprisings by Taiwanese against Chinese rule are in the making. U. S. diplomatic observers recently back from the island say that there is no Communist activity as yet, but that the people are ripe for any kind of unrest. Several Taiwan groups are trying to find a way to bring their case before the United Nations.

Already some of MacArthur's officials believe that Japan may have no choice but to trade with Chinese Communist regions. It may even come about during the occupation.

This proposal is a measure of how deeply the turmoil of Asia is affecting the recovery of Japan. The U. S. stake in Japan and in rebuilding Asia demands a practical and dynamic analysis of what the U. S. can do to help.

the government has limited withdrawal of capital to the exact cent, franc, penny brought in, and no more.

Brazil—(1940 investments: \$240 million.) Nationals must comprise two-thirds of all employees. A flock of other restrictions prevent aliens from owning various natural resources, limit repatriation of profits to 8% annually, require directors of Brazilian companies to live there.

• **European Picture**—In Europe the pattern ranges from comparative freedom in the West to complete exclusion in the East. The problem now in the Soviet sphere is how to get compensation for seized U. S. properties.

In Britain, U. S. capital has a fairly free field. In fact, the American stake in British industry has grown a lot since the war. But investors do have to put up with governmental controls over plant location and have to accept an official say-so on how much to export.

There are no real bars against American investors in the rest of the Commonwealth. South Africa and Australia are receiving U. S. money with open arms. And Americans have more money invested in Canada than in any other one country.

• **Better Code**—U. S. investors think that Article 12 of the ITO draft charter would help to remove some of the restrictions that irk them. But even so this fair-practices code does not go far enough to satisfy all quarters of opinion. And the State Dept. is certain to prefer a Western Hemisphere code with teeth in it at the Mar. 30 inter-American economic conference at Bogota.

At its October meeting in St. Louis the National Foreign Trade Council took a critical view of several provisions in Article 12. It insisted that the code only helps to "perpetuate the discriminatory practices" already in effect.

• **Program**—Among the things U. S. businessmen would like to see done either Havana or Bogota:

- (1) Eliminate laws requiring majority control by nationals of all foreign-owned corporations.
- (2) End tax discrimination against foreign-owned business.
- (3) Remove restrictions on the free flow of profits.
- (4) Prohibit regulations which obligate foreign firms to hire only—or mainly nationals of the country in which the firms operate.
- (5) Set up codes which would require the re-evaluation of the assets of foreign-owned companies in the event of currency devaluation.

• **Chances Aren't Bright**—It is highly unlikely, of course, that U. S. business can coax the rest of the world into accepting all these far-reaching demands. For one thing, resurgent nationalism has built up fences and feeling all over the globe. For another, many countries are



"Peace on earth, good will to men," said Santa. "They sure need it. I wonder if there's anything that I can do to speed it."



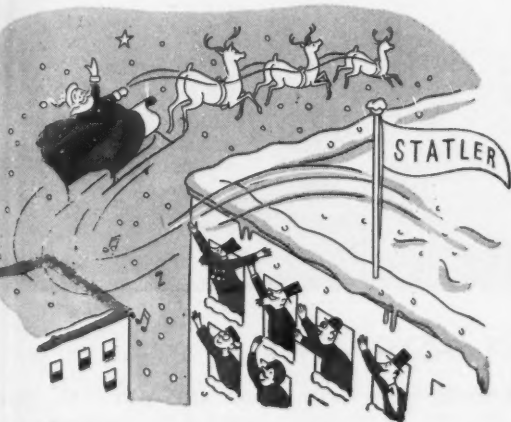
2. "Of course there is!" he cried with joy. "I'll slip these invitations in all the Christmas stockings of the whole United Nations."



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FERTILIZER FOR AUSTRALIA

MELBOURNE—If the Electrolytic Zinc Co. of Australasia, Ltd., follows through with current expansion plans, this country will be able to conserve some of its scarce dollar exchange.

The company has its eye on the dollar leakage due to sulphur. At present Australia is importing sulphur at the rate of nearly 100,000 tons a year. Yet the country actually has sources of the chemical at home, in the zinc concentrates which are mined at the Broken Hill and Read-Roseberry fields. Trouble is, most of this sulphur is lost in processing or is shipped overseas as a constituent of the zinc ore which Australia exports.

Electrolytic Zinc Co. proposes to utilize this source by building an \$8-million addition to its Risdon (Tasmania) zinc refinery. The new plant will produce some 50,000 tons of ammonium sulphate fertilizer annually by combining sulphur from its zinc concentrates with synthetic ammonia.

Before the contractors get the green light, however, the company must: (1) finish negotiating for purchase of some of Tasmania's cheap power; (2) get authorization to import U. S. equipment.

Indian Shipping

**Government organizes
and ship carriers to bolster
weak spot in world commerce
Private firms will run them.**

BOMBAY—The Nehru government has moved in on India's airline shipping businesses. Its aim is to tighten government control over transportation and bolster the country's weak position in international commerce.

The new setup puts actual operation in private hands but gives the government a controlling share of the capital. It's a pattern that could lead to large-scale nationalization of transport. The mixed company ideas may prove the answer to Congress Party members who advocate across-the-board nationalization of industry.

• "Chosen Instrument"—The government has organized a new air carrier, Air-India International Ltd.—to be India's "chosen instrument" for the link with London. The new airline has an authorized capitalization of \$21 million of which \$6-million is now being issued.

The government is putting up 40% of the cash for Air-India International. At any time it can take up additional



Chase Opens Its Tokyo Doors

When Chase National Bank opened its new Tokyo branch on Dec. 1, depositors were on hand ready for business. Behind the counter were Theodore Henriques (left), assistant comptroller, and James P. Duddy, manager. They flew to Japan recently to

take charge (BW—Oct. 25 '47, p. 86). The bank is located in the big Marunouchi building. Chase's first venture in Tokyo is indicative of hopes for reviving Japanese trade—though currently the bank looks for a lot of business with military personnel.

to assure it a clear majority. Technical management and direction of operations will be handled by Air-India, India's leading airline which is controlled by the Tata industrial group. Dividends—Subsidies against loss will be paid during the initial period. As long as the concern goes "into the black," 50% of the profits must be set aside to repay the subsidies. During this period dividends are limited to 5%. Full repayment has been made, 50% of profits in excess of 5% on capital will go into government coffers.

The new line will use U.S.-built Lockheed Constellations. Indian crews will be trained by Trans World Air-India (TWA has a working agreement with Air-India). Service between Bombay and London will start in May, on a twice-a-week schedule.

Ship Lines—Roughly the same system of ownership and operation is to be followed in the shipping field. The government will organize two or three new shipping lines immediately; in this case, putting up 51% of the cash. Any existing company, or group of companies, will be invited to take up the balance of the shares and operate the line under contract. To prevent monopoly operation, such new companies will be limited to fleet tonnages of 100,000 tons. The Minister of Commerce has expressed that the government's plan is only one by which the nation could reach its goal of 2-million tons of shipping in five to seven years. This is a program which seeks a 14-fold increase in India's fleet (now 140,000 tons) in that number of years.

The government is pleased with the arrangements it has made and has indicated that they may later be extended to other fields. Its idea is that proven enterprise is sure to set up a better operating record than a strictly state-concern; yet, by retaining a major stock interest the government can have a check on profits and an eye open to the interests of the taxpayers.

Railway Case—Meanwhile, the state-owned railways—in which no similar arrangements exist—have proved a bad headache for the government.

The Central Pay Commission recently approved railway wage increases amounting to \$674-million for the 74 months from Aug. 15 to the end of the fiscal year. So the government has found the only way out and jacked up freight and freight charges sharply.

Freight increases vary by commodities and distances, but terminal charges are to be increased 50%. Transportation charges on coal and steel will rise sharply. Only foodstuffs are virtually unaffected.

Even with the increases, receipts are expected to fall \$10-million short of meeting the \$360-million working expenses and interest charges.

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THE STANDARD STEEL WORKS

OF NORTH KANSAS CITY, MISSOURI

●... saves 3 weeks with a
30 minute cut

AIRCO TECHNICAL SALES SERVICE REPORT



PROBLEM: To trim a 1" x 11" x 36" sliver off this 4200 pound, 36" x 36" x 11" slab. Local machine shops would not promise to complete the job before three weeks and estimated the cost at \$90.00.

SOLUTION: We recommended they give their recently installed Airco Planograph a chance. A large size cutting tip was purchased and the entire job (including setting-up and actual cutting) was completed in 30 minutes at a cost of approximately \$6.00. The speed with which the job was done saved an unestimated sum in getting this slab in production with a minimum of lost time.

A. O. Dodge.

Airco Technical Representative

Airco's Technical Sales Division is at the call of all industry in applying Airco processes and products in the solution of their problems. If you have a metal working problem, ask to have a Technical Sales Division man call. Address: Dept. BW-7328, Air Reduction, 60 East 42nd St., New York 17, N. Y. In Texas: Magnolia Airco Gas Products Co., Houston 1, Texas.

Photo by W. L. Herrington, Kansas City



AIR REDUCTION

Offices in All Principal Cities

TECHNICAL SALES SERVICE - ANOTHER AIRCO PLUS-VALUE FOR CUSTOMERS

READERS REPORT

Toy Tractor for Sale

Sirs:

You have a news item showing a plastic toy tractor built for International Harvester [BW—Nov. 8'47, p51]. I mention that these will be distributed free through I. H. dealers.

We are I. H. dealers, and I. H. furnished us with these tractors and charging us for them. . . .

CHARLES L. WOOD

TRACTORS, INC.,
PROVIDENCE, R. I.

Sirs:

I am informed that through a regrettable inadvertence someone in our company informed your esteemed magazine that miniature plastic models of Farmall tractors were being given away. I regret to say that this is not the case. They are being sold through our retail outlets and dealers at prices from \$5 up, depending on the size and model of the miniature. This just about covers the cost of production and distribution.

You may be interested to know that thus far some 500,000 miniature models have been sold.

DALE C.

INTERNATIONAL HARVESTER CO.,
CHICAGO, ILL.

Services for Business

Sirs:

As a small stockholder of Stone Webster, and a fairly consistent reader of your publication, I have followed with interest the series of ads which that company has been running in Business Week. . . . These ads bring out the three main services which Stone & Webster has been offering to industry for years; namely, engineering, constructions, supervision of operations and financing.

Accordingly, you can perhaps understand my reaction to your article [BW Nov. 29'47, p58] describing the operations of another well known organization under the subheading "Changing New Paths." The article goes on to say its executives think they have pioneered an entirely new business that they have facilities to engineer almost anything, figure out how to finance it, build it, and operate it, assist others to do so. It would seem to me that Stone & Webster blazed this trail years ago.

FRANK BURROWS H.

NEW YORK, N. Y.

• Our article intended to point out that Ebasco Services, Inc., is the first service

corporation for a public utility holding company system to offer its engineering, financing, and operational services to other businesses—a new path for Ebasco.

Portal-to-Portal Study

I should like to express my appreciation of your article concerning the study of the portal-to-portal act [BW—Nov. 47, p70]. Usually an attempt to summarize a lengthy and technical document results in some unavoidable distortions; your article, on the other hand, is a simple straight-forward statement of the salient features of the [Wage & Hour Division's] bulletin which will be helpful to those having portal-pay problems.

One minor inaccuracy occurs near the end of the article. ["The bulletin does not cover the law's application for the period before May 14, 1947, when it was passed."] Actually about 10 pages of the bulletin are devoted to a discussion of liabilities for the period before May 14. However, I think the more important aspect of the act is its future effect, and your article does valuable service in bringing this to the attention of your readers.

WM. R. McComb

ADMINISTRATOR,
WAGE & HOUR AND PUBLIC CONTRACTS
DIVISIONS, U. S. DEPT. OF LABOR,
WASHINGTON, D. C.

How High Are Profits?

Your recent table showing profits of companies in the food business [BW—Nov. 8'47, p84] doesn't seem to me to support the headline that profits continue high. It seems to be based on the data that past profits were high.

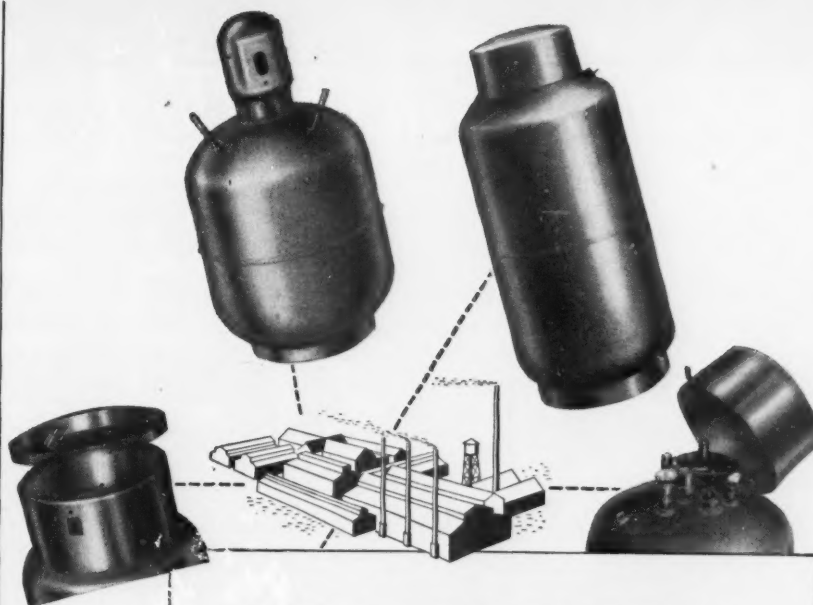
Is the amount earned per share a true measure of profits? What about a percentage of earnings compared to gross sales? How do the average earnings in the food business compare with the increase in commodity costs, etc.? Aren't new comparisons, new measurements, even new phraseology necessary in discussing financial statements to give them true meaning?

JOHN HANSEL

EXECUTIVE VICE-PRESIDENT,
W. AYER & SON, INC.,
PHILADELPHIA, PA.

By reporting that the food industry's profits have been high, we of course do not say they have been too high. As you say, it would be quite interesting to apply new measuring devices to profits; a suggestion of how corporations might do this was made in these columns recently by E. Stewart Freedman of Dennison Mfg. Co. (BW—Dec. 1, p126).

WEEK • Dec. 20, 1947



HEADQUARTERS for L-P Gas Cylinders of every type



Pressed Steel Tank Company has long made a complete line of L-P Gas Cylinders. They have been furnished with various types and combinations of openings, and with removable type of valve protection cap, permanently installed collar and removable hood—from small 5-lb. propane industrial type cylinders up to and including 420 lb. propane (500 lb. butane) capacities.

These cylinders, especially designed for the storage and transportation of propane and butane, have been preferred by L-P Gas producers since the beginning of the industry. This preference is due to the superiority of Hackney design and construction . . . minimum seam area, X-ray controlled welding, advanced heat-treating, special cold drawing process as well as Pressed Steel Tank Company's 40-year-old experience in the manufacture of containers for gases.



Pressed Steel Tank Company

Manufacturers of Hackney Products

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CONTAINERS FOR GASES, LIQUIDS AND SOLIDS

THE TREND

GUIDE FOR CREDIT CONTROL KIBITZERS

IF YOU have clearly in mind how the Federal Reserve banking system works, skip this Trend. But if you are a little rusty on the system's basic operations, and particularly how World War II distorted them, it will pay you to become a knowing kibitzer. It is necessary self-protection because the outcome of current debate on credit controls can bear critically on your business and on the general progress of our economy.

The debate takes off from two key propositions. One is that bank credit has been expanding rapidly without any corresponding increase in production and so is simply pumping prices up higher. The other is that the historic credit controls used by the Federal Reserve Board won't work now without simultaneously putting dangerous skids under the price of government bonds.

On the first proposition there isn't much room for debate. Money in the hands of the public has been increasing about \$700-million per month recently. Most of it is due to bank loans. And in these days of full employment there can't be any matching increase in production. The new money is simply bidding up prices.

Well, why can't the good old Reserve Bank controls be used effectively to check this inflation?

ONE OF THESE controls, you will recall, is set by Congress. It is the amount of gold (gold certificates now) which the 12 Federal Reserve Banks must hold against currency issues and loans to member banks. These reserves in the past put a ceiling on credit. But because there is an abundance of gold now, this requirement no longer checks credit expansion. And, despite talk in Congress of changing gold reserve requirements, there is little prospect of shrinking credit this way.

The Federal Reserve Banks themselves have three other controls. Within limits set by Congress, they fix the size of the reserves held against deposits of the public in the thousands of banks which are members of the system. The 12 reserve banks have raised these requirements to the ceiling set by Congress practically everywhere now. So this control is largely inoperative.

The reserve banks have a second control in their power: to fix rediscount rates—the rate of interest they charge on loans to member banks. When bank credit gets to flowing too freely, the reserve banks are supposed to raise the rediscount rate and thus slow down the flow. Chairman Marriner S. Eccles of the Federal Reserve has promised a little action in this line soon. But its effect will be largely psychological because the member banks don't owe much to the 12 reserve banks.

The banks' third general control is that of open-market operations. Here the idea is that if the member banks of the Federal Reserve Banks get to extending credit too freely, or not freely enough, the 12 reserve banks can buy or sell government securities in the open market and

thus loosen or tighten the funds of the member banks. If they sold securities in the open market, buyers would draw down their bank accounts to pay for them, and that would put a squeeze on the funds of the member banks. In reverse, if the reserve banks wanted to loosen credit, they would buy securities in the open market. The sellers would acquire funds from the reserve banks, deposit them in member banks, and thus increase the lending capacity of the member banks.

THIS SEEMINGLY neat system of bank credit controls was knocked into a cocked hat by the financing of World War II. To do the financing job, the federal Treasury sold over \$200-billion of government securities. To hold the interest rate down, and so prevent servicing of the debt from swamping the federal government, the Treasury did two things:

(1) It virtually guaranteed that the bonds would not go below the sales prices.

(2) It loaded them on the banks of the country by the billion.

By selling now a large chunk of their \$22-billion of government bond holdings in the open market, and by raising rediscount rates sharply, the Federal Reserve Banks could promptly put a crimp in expansion of credit. They could do the same thing a little less abruptly by declining to buy government bonds offered for sale by the member banks.

If, however, the Federal Reserve Banks put heavy downward pressure on the government bond market, or even refuse to support it, government bonds are likely to fall below par. Some of them are pressing par now.

If the decline were allowed to go very far, the stability of the banking system, which is loaded with government bonds bought at par or above, would be endangered. At the same time, the cost of carrying the public debt would rise. The process might shake public confidence in the entire credit mechanism, and so bring on a sharp contraction of bank credit. That would throw business into a tailspin.

THE FEDERAL RESERVE SYSTEM still has enormous capacity to expand credit. What it lacks is capacity to contract it in any large measure without at the same time undercutting the entire federal debt structure. That's the whyfor of the proposals of new and better controls.

On the merits of the various proposals we shall say something here later. But keep one point in mind in the meantime. The real issue is not whether the Federal Reserve system should have credit controls. It has had them for a generation. The issue is whether it needs new controls to do the job. Some of the old ones are a casualty of World War II.

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